Annual Report
1978 - 1979

Department of Taxation
State of Hawaii

GEORGE R. ARIYOSHI
GOVERNOR

GEORGE FREITAS
DIRECTOR OF TAXATION

Wallace Aoki
DEPUTY DIRECTOR

DEPARTMENT OF TAXATION
STATE OF HAWAII

Honolulu, Hawaii
November 15, 1979

The Honorable George R. Ariyoshi
Governor of Hawaii
State Capitol

Dear Governor Ariyoshi:

It is with great pleasure and satisfaction that I submit my first Annual Report as Director of Taxation, covering activities of the Department of Taxation during the fiscal year ending June 30, 1979.

We are continuing to make progress in streamlining many of our activities and in converting from a manual to an automated system. Temporary workers are now being used on a systematic basis to help us process mail during peak periods. This has resulted in our being able to process and deposit tax collections on a current basis. Our condominium building index system has now been automated thereby improving our real property assessments and eliminating many hours of manual calculations.

Our goals are to provide greater service to the public, to increase community input, to issue information releases, rules and regulations, and to insure that the taxpaying public receives sufficient information to file proper and timely returns. Our concept of a Tax Department is that of a public servant--an agency conducted in the best interests of the State of Hawaii and for the welfare of the people it serves.

Respectfully submitted,

George Freitas

GEORGE FREITAS
Director of Taxation

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IN RETROSPECT

It was 40 years ago on February 7, 1939, that the cornerstone was laid for the present Honolulu tax office building, Hale Auhau. It may be of interest to note that our new Director of Taxation, George Freitas, was with the tax department when the first move into Hale Auhau was made on August 1, 1939. Outwardly, the building remains the same today, but inwardly, the department has grown, both physically and in organizational structure. As the population of Oahu increased and the demand for services grew, so did the number of employees in Hale Auhau, increasing from 85 in 1939 to the present 317 authorized positions. The employees in the other district offices also increased—from 17 to 35 on Maui; from 35 to 58 on Hawaii; and from 8 to 22 on Kauai. The appropriation for the tax office for the biennium 1937-39 amounted to $619.4 thousand, which breaks down to approximately $320 thousand for fiscal 1938-39. This compares with $7.6 million for fiscal 1978-79, an increase of over twentyfold. During this same period, taxes collected rose by more than fiftyfold, from $20.6 million in calendar 1939 to $1,132.1 million in fiscal 1978-79.

In 1939, the functions of the tax department were divided into five units: 1) Bureau of Real and Personal Property; 2) Bureau of Income and Miscellaneous Taxes; 3) Bureau of Gross Income and Consumption Taxes; 4) Bureau of Field Examiners; and 5) Bureau of Delinquent Taxes. These bureaus were established in each of the four taxation districts.

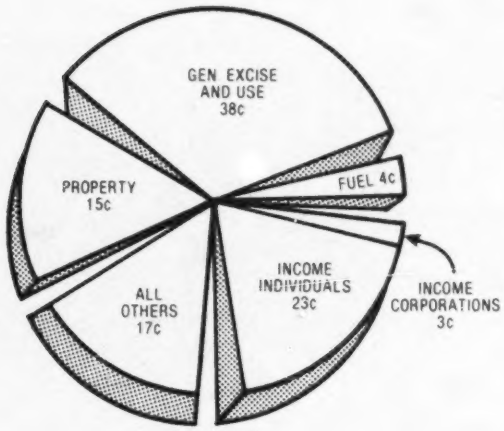
Today, these functions are divided into three main programs—income tax, collections, and real property. Each program is headed by a program officer, with statewide responsibilities, who is knowledgeable in his own field. The present organizational structure provides for uniform development and implementation of guidelines, policies, procedures, and evaluation techniques throughout the State. The organizational chart on page 10 depicts the present structure.

Several taxes in existence in 1939 have since been repealed or replaced. The poll tax was repealed in 1943 and the personal property tax in 1948. The Hawaii Unemployment Relief Act, which imposed a tax on compensation and dividends, was incorporated into the Laws of Hawaii in 1941, known as the "Public Welfare Tax." Subsequently, this was changed to "Compensation and Dividend Tax" in 1953, and finally repealed with the enactment of the 1957 Tax Act. The public utilities tax is now a public service company tax, with the tax base broadened to include airlines and other motor carriers and contract carriers, in addition to public utilities. The bank excise tax has been replaced by a franchise tax, which is imposed on banks, building and loan, industrial loan, and certain other financial corporations. The consumption tax is now a use tax.

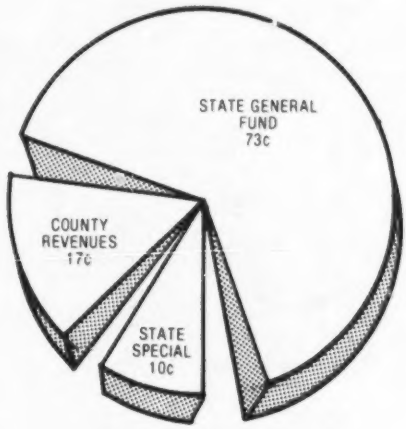
Presently, the State administers 13 of Hawaii's 15 tax laws. A brief summary of these taxes is covered in the Appendix, pages A-10 and A-11. The insurance premium tax is collected and administered by the Insurance Commissioner; while the employment security tax is collected by the Department of Taxation but administered by the Department of Labor and Industrial Relations, since the revenue derived from this source goes into a special fund to compensate unemployed workers. The administration and collection of all other taxes come under the jurisdiction of the Department of Taxation. All of the real property tax, except for that portion retained by the State for the cost of administering and collecting this tax, and a portion of the fuel tax are turned over to the counties for their use. The State's share of the fuel tax goes into a

special highway fund to be used exclusively for the construction and maintenance of highways, roads, and airports. All other taxes collected are realizations to the state general fund.

SOURCE OF THE TAX DOLLAR 1978-1979



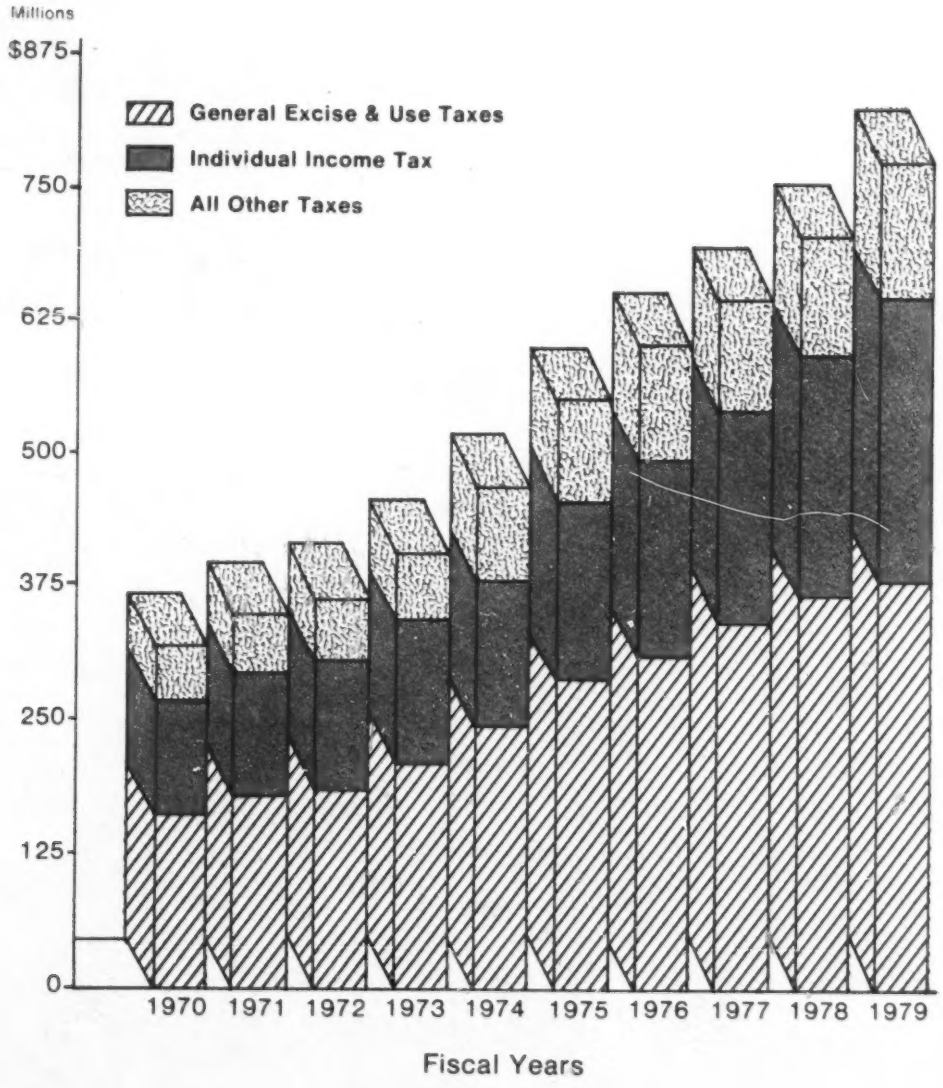
DISTRIBUTION OF THE TAX DOLLAR 1978-1979



The counties are responsible for the administration of the remaining two tax laws, as well as for the collection of the tax. These are the county vehicular tax and the public utility franchise tax. The counties have also been delegated the responsibility for collecting the state motor vehicle weight tax along with the county tax, which is turned over to the state Director of Finance for deposit into the state highway fund.

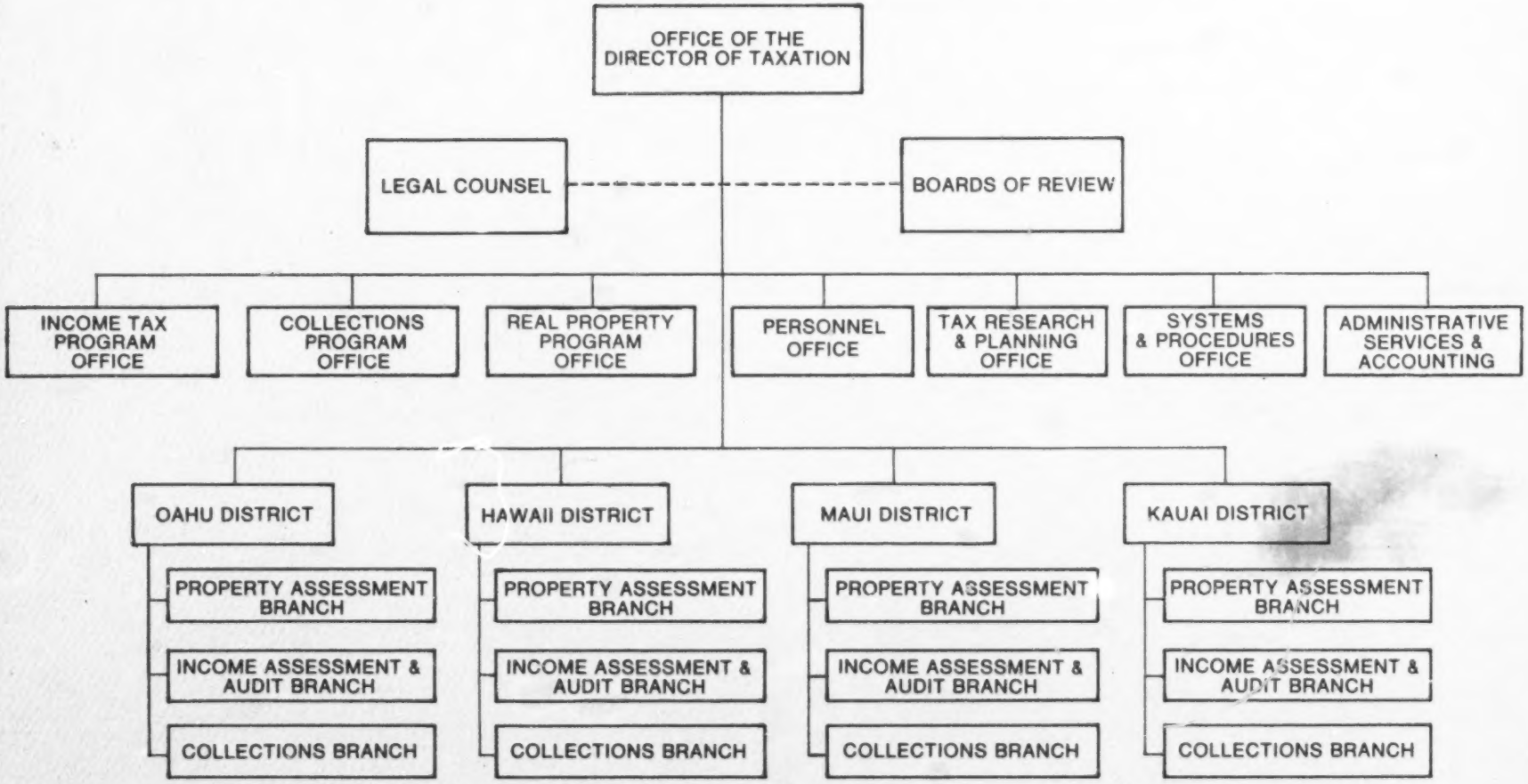
CHART 1

TRENDS IN GENERAL FUND TAX REVENUE, BY SOURCE
Fiscal Years 1970 through 1979



ORGANIZATION CHART

Department of Taxation
State of Hawaii



STATE OF HAWAII
DEPARTMENT OF TAXATION

ADMINISTRATIVE STAFF

OFFICE OF THE DIRECTOR

Director of Taxation ..... George Freitas[1]
Deputy Director of Taxation ..... Stanley D. Suyat

HEADQUARTERS STAFF

Income Program Officer ..... Tomotaru Ogai
Real Property Program Officer ..... Edwin Ferreira[2]
Tax Collection Program Officer ..... Robert Hee[2]
Tax Research and Planning Officer ..... Richard W. Swanson
Tax Systems & Procedures Officer ..... Kenneth Murayama
Administrative Services & Accounting Officer ..... Gilbert Chang
Departmental Personnel Officer ..... Herbert Chun

OPERATIONS STAFF

District Tax Administrator, Oahu District Office ..... Harold Yamane[3]
District Tax Administrator, Maui District Office ..... Isao Sato
District Tax Administrator, Hawaii District Office ..... Sanford Yanagi
District Tax Administrator, Kauai District Office ..... Thomas Nishimitsu

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[1] *Effective December 29, 1978.*
[2] *Effective April 1, 1979.*
[3] *Acting District Tax Administrator, effective January 3, 1979.*

FIRST TAXATION DISTRICT

Island of Oahu

Office: 425 Queen Street
P.O. Box 259
Honolulu, Hawaii 96809

District Tax Administrator
Harold Yamane (Acting)

Income Tax Assessor
Herbert Dias

Real Property Appraiser
Edwin Ferreira

Tax Collector
Harold Yamane

SECOND TAXATION DISTRICT

Islands of Maui, Molokai, and Lanai

Office: 54 South High Street
P.O. Box 1169
Wailuku, Maui 96793

District Tax Administrator
Isao Sato

Income Tax Assessor
James Horikawa

Real Property Appraiser
Henry Lau

Tax Collector
Stanley Ching

THIRD TAXATION DISTRICT

Island of Hawaii

Office: 75 Aupuni Street
P.O. Box 1377
Hilo, Hawaii 96720

District Tax Administrator
Sanford Yanagi

Income Tax Assessor
Ronald T. Yabe

Real Property Appraiser
Vacant

Tax Collector
Wendell Serrao

FOURTH TAXATION DISTRICT

Islands of Kauai and Niihau

Office: 3060 Eiwa Street
P.O. Box 1689
Lihue, Kauai 96766

District Tax Administrator
Thomas Nishimitsu

Income Tax Assessor
Ernest Balderas

Real Property Appraiser
Reginald Gage

Tax Collector
Helen Teraoka

THE YEAR IN REVIEW

ADMINISTRATION

With the beginning of a new term of office for Governor George Ariyoshi, George Freitas, a 40-year veteran with the tax department, was appointed as Director of Taxation to replace Gordon Wong, who resigned to enter private law practice. Mr. Stanley Suyat was reappointed as Deputy Director of Taxation.

Soon after the swearing-in ceremony on December 29, 1978, the Director appointed Mr. Harold Yamane as Acting Oahu District Tax Administrator, effective January 3, 1979, to fill the vacancy which occurred when he took on his new responsibility as Director of Taxation. Also appointed, effective April 1, 1979, were Mr. Edwin Ferreira as Real Property Program Officer, and Mr. Robert Hee as Tax Collection Program Officer. The latter two positions had been established under the reorganization of the department which was approved by the Governor on August 11, 1977. These appointments brought to full complement the administrative staff authorized under the reorganization.

GENERAL EXCISE AND USE TAX SYSTEM

After two years of experience with an automated general excise and use tax system, the Administration decided that further improvements to the system needed to be made. In order to determine how extensive an effort will be required to make these improvements, the Director appointed an evaluation team in February 1979, headed by Richard Swanson, to pinpoint problem areas and to make necessary recommendations. Serving on the team were employees from the various units of the department in order that every facet of the general excise tax program could be considered in the evaluation. The evaluation team's report was submitted to the Director on May 31, 1979. The conclusion reached was that a major redesign of the general excise tax system is necessary, and one of the recommendations was that a private consulting firm be hired to assist in the redesign in order to obtain the necessary expertise and also so that tax department personnel would not have to be diverted from their normal duties. A concentrated effort will be made beginning in fiscal 1979-80 to attain the desired goal.

REAL PROPERTY PROGRAM

The proposal to transfer the real property assessment functions to the counties beginning in 1981 was passed by the 1978 Constitutional Convention delegates and approved by the voters of Hawaii by a close margin. In order that a smooth transition can be made, the real property staff of each district office has been working closely with the counties.

The computerization of the condominium building index, which was completed during the year, eliminates the tedious task of manually applying the index. This will assist the real property appraisers in expeditiously updating the 67,700 condominium units throughout the State.

The basic purpose of the Conveyance Tax Law is to acquire selling price data to determine market value which is needed in achieving uniformity in real property assessment. However, because the law did not require the payment of the conveyance tax for

leases or subleases of less than ten years, data on leases which ran for a term of less than ten years were not readily available. The amendment to the Conveyance Tax Law (Act 73), effective July 1, 1979, which provides for conveyance tax payment for leases or subleases with terms of five years or more rather than ten years or more, will assist the real property appraisers in obtaining the needed market data for more accurate assessment of commercial, industrial, and agricultural properties normally leased for less than ten years.

NATURAL DISASTER

The Natural Disaster Claims Commissions for the 1977-1978 drought disaster on the Islands of Hawaii and Maui were inaugurated when the members took their oath of office in January, 1979. A total of 39 claims were received from claimants suffering losses as a result of the drought on the Island of Hawaii. Of the 39 claims, 16 claimed crop losses amounting to $696,939; while 23 claimed livestock losses totaling $2,280,142. Although there were only seven claimants on Maui, the extent of the drought losses was much more severe than on Hawaii. Five claimed loss of livestock valued at $274,780 and two reported crop losses valued at $8,003,734.

PUBLIC RELATIONS AND INFORMATION

The special taxpayer assistance program was activated during the peak filing period to assist taxpayers in preparing their income tax returns. Special telephones were also installed and manned by tax auditors for the convenience of taxpayers who preferred to make inquiries by phone.

The adoption of the Federal Internal Revenue Code as of December 31, 1978, with certain exceptions, by the State of Hawaii in 1979, necessitated the preparation of new rules and regulations. Four new rules and regulations were prepared this fiscal year and public hearings were held in each district to solicit input from interested parties. Appropriate suggestions were then incorporated in the final draft of the rules and regulations and submitted to the Governor for his approval. In addition, nine tax information releases were prepared to disseminate general information relating to taxes.

RESEARCH AND PLANNING

General fund tax revenue projections for fiscal 1978-79 were based primarily on the Revenue Estimating Committee's estimated growth rates for key economic indicators for Hawaii. The two principal indicators were the inflation rate and the tourism growth rate. These estimates, along with others, were plugged into a statistical model to generate the general fund tax revenue projections.

The initial projections, prepared in November 1978, predicted a growth rate in general fund tax revenue of 11.5%. However, by March, 1979, it became apparent that the inflation rate and the growth in tourism had risen well above the estimated 7.2% and 6.5%, respectively, necessitating an upward revision in the growth rate of state general fund tax revenue to 14.4%. This was again revised downward to 13.9% in April when it was felt that the United Airlines strike, which began on March 30, would have a dampening effect on the economy. Although the growth rate of the tourist industry slowed down, the impact of the strike was not as great as anticipated. The strong Canadian market and travelers from the Orient compensated for the drop in travelers from the mainland. In addition, the inflation rate continued its upward

spiral, so that the actual tax collections for the fiscal year reached $826.0 million as compared to $707.4 million a year ago for a growth rate of 16.8%.

Projections of fuel tax revenue and real property net assessed valuations were also updated in February 1979. Fuel tax revenue accruing to the state highway fund and boating special fund fell below the projected 5.1% growth rate, increasing by only 4.5% over the same period a year ago. The rapid escalation in price of gasoline beginning in January was probably responsible in part for the slower growth rate in gasoline consumption during the second half of the fiscal year. During the first half, gasoline consumption rose by 5.2%; while second-half consumption increased by only 2.2%. On the other hand, aviation fuel consumption, which was forecast to rise by only .2%, increased 2.1%, in spite of the two-month machinists' strike against United Airlines.

The actual real property net assessed values rose well above the estimated values for all counties, except Hawaii where the actual values fell .1% below the estimated growth rate of 11.0%. On a statewide basis, the net assessed values rose by 11.9% as against the 9.6% projected, with Maui's rapidly rising property values contributing to this growth rate. While an increase of 30% was predicted for Maui, actual values rose 40.4%.

Four research reports were completed during the fiscal year. Three of these reports were in the continuing series of Hawaii Income Pattern reports which covered statistics on corporate and proprietorship returns filed for 1975, and individual income tax returns filed in 1977 for 1976 income. A special report on tax credits was also produced. This report, based on tax credits claimed by Hawaii residents on their individual income tax returns filed in 1978, was prepared in January 1979 to determine whether or not the legislative intent of the four types of tax credits available to Hawaii taxpayers was being met, and whether qualified taxpayers were fully utilizing the various credits available to them. This was the first report prepared since enactment of the new excise tax credit in 1974, and included, in addition to the excise tax credit, data on the renter's tax credit, child care expenses tax credit, and the solar energy device tax credit. The latter credits were enacted after the excise tax credit—the solar credit in 1975 and the other two credits in 1977.

The Tax Research and Planning staff reviewed more than 200 tax measures introduced during the 1979 legislative session to determine the revenue impact of each proposal. A brief summary of the bills which were enacted is presented under "Legislation".

MULTISTATE TAX COMMISSION

Multistate Tax Commission audits showed increases in both numbers and dollars of assessments as the Commission vigorously pursued its Joint Audit Program with additions to staff and increases in efficiency and productivity. The Commission recommended $70,667 of audit assessments for fiscal year 1979 compared to $51,500 for fiscal year 1978.

PERSONNEL MANAGEMENT

Although the department had 432 regular authorized positions, it was necessary to restrict the filling of 20 to 29 positions at various times during the year in order to meet the mandated savings in the budget. Turnovers, including 9 retirements, 8 resignations, and 37 miscellaneous transactions involving promotions, transfers, and reallocations, were offset by the hiring of 13 new civil service employees. There were

also 92 non-civil service and/or temporary employees hired during the year. The table below shows the staffing pattern by program for this and the previous two years. Broken down by islands, the positions are distributed as follows: Oahu, 317; Hawaii 58; Maui/Molokai, 35; and Kauai, 22.

STAFFING PATTERN
(Number of Authorized Permanent Positions)

By Organizations/Operating Programs	1979	1978	1977
Headquarters Administration	78	78	74
Field Administration	9	14	14
Property Assessment	112	111	109
Income Assessment & Audit	158	153	157
Collections	75	74	78
Total	432	430	432

Note: Above does not include: a) the temporary clerical support positions utilized during the peak periods and special projects; b) the temporary positions supported by federal funds under the U.S. Comprehensive Employment and Training Act of 1973 (CETA); and c) temporary student positions during the summer.

Continued emphasis was placed on providing employees opportunities to upgrade their skills and broaden their knowledge through training programs. A summary of the type of training in which employees participated is presented on page A-12.

TAX LITIGATION

BOARDS OF REVIEW

Real property appeals pending before the Oahu Board of Review totaled 6,794 at the beginning of this fiscal year. Of this total, 3,662 were settled, with 3,200 in favor of the State, involving $142,685,439 in assessed valuations. The remaining 462 appellants had their values reduced by $85,962,000. During the year, an additional 591 appeals were filed on 1979 assessments, so that as of June 30, 1979, there were 3,723 cases still to be heard.

There were five general excise and use tax appeals and 26 income tax appeals pending at the beginning of the fiscal year. Added to this during the year were two general excise and use tax appeals and 18 income tax appeals. Of these, one general excise tax appeal was settled and one withdrawn; while 31 income tax appeals were heard and three withdrawn. The one general excise and 28 of the income tax appeals were settled in favor of the State. In two cases, both the State and the taxpayers shared in the settlement. The settled appeals involved $15,731, of which the State was awarded $15,571.

In the Maui District, there were 706 real property appeals pending as of July 1, 1978, of which 683 were settled. The Board agreed with the State's valuations in 628 of the cases, sustaining the $40,718,958 in dispute. Values were reduced for 55 taxpayers, totaling $4,588,624. There were 268 new cases added during the year, leaving a bal-

ance of 291 cases to be heard as of June 30, 1979. None of the general excise or income tax appeals were resolved, leaving a balance of 11 income, nine general excise, and one public service company tax appeals pending as of June 30, 1979.

The Hawaii Board of Review cleared all of the 141 appeals on the docket at the beginning of the fiscal year, with assessed values totaling $10,500,572 sustained in 111 of the cases. Values were reduced for 30 appellants amounting to $1,079,428. Pending at the end of the fiscal year were 157 new appeals which were filed on 1979 assessments.

There were only three income tax appeals pending at the beginning of the year. To this were added 17 income and two general excise appeals during the year. The Board heard 12 of the income and two of the general excise tax appeals. This had resulted in adjustments of $456 to three income tax appeals and $1,527 to one of the general excise tax appeals. The Board sustained $2,019 of the income tax appeals and $7,126 of the remaining general excise tax appeal. Still pending are eight income tax appeals involving $12,784.

The Kauai Board of Review started the fiscal year with 793 real property appeals, of which 361 appeals involving $11,411,346 were resolved during the year. The Board ruled in favor of the State in 290 of the cases, sustaining assessed values totaling $10,513,533. During the year, 122 additional appeals were filed on 1979 assessments so that at the end of the fiscal year there were 524 cases remaining on the calendar.

TAX APPEAL COURT

The Tax Appeal Court rendered decisions in 70 cases during the year, but at the same time added 58 new cases. A brief summary of some of the major cases which were cleared is shown below:

De Roy, Richard H. and Betty E. *Decided on 12/13/78*

The Tax Director contended that an incomplete tax return form containing merely taxpayers' names, address, social security numbers, occupation, filing status, nature and number of exemptions, is not a tax return within the meaning of HRS Chapter 235. **U.S. v. Porth,** 426 F.2d 519 (10th Cir. 1970) and **U.S. v. Klee,** 494 F.2d 294 (9th Cir. 1974), applicable to HRS Chapter 235 pursuant to § 235-3. Decided in favor of Tax Director.

C. Brewer and Company, Limited *Decided on 12/19/78*

The issue here is whether the value of administrative and management sevices performed and furnished by taxpayer to its wholly owned subsidiaries is properly subject to the general excise tax as gross income, notwithstanding the absence of an agreement to compensate the Taxpayer and notwithstanding there were no cash payments made to the Taxpayer. In this case, the Taxpayer recorded the transactions as its contribution to the capital of each subsidiary and thereby attempted to avoid payment of general excise taxes. Although, therefore, in form the transactions have the appearance of constituting a contribution to capital, the transactions are, in substance, taxable transactions. Moreover, the Taxpayer has reported the value of these services as "other income" for federal and state corporate income tax purposes. The Taxpayer must treat transactions uniformly for federal and state tax purposes. Decided in favor of Tax Director; appealed to State Supreme Court.

Waikiki Development Co., Inc. *Decided on 1/5/79*

The issue in this case is whether "Gross Income" or "Rental Income" to a sublessor includes payments by sublessees of the portion of real property taxes assessed against improvements on the land. The Tax Director contended that such payments are taxable to the sublessor even though the sublessees built the improvements because such payments under the subleases are rental in consideration for the use of the premises. The Court agreed.

William J. McKinley and Margaret S. McKinley, et al *Decided on 2/1/79*

Taxpayers are nonresident shareholders of a corporation which sold funeral plans in the State. The corporation created a clearing trust and individual funeral services fund trusts for the purpose of administering its funeral plans. The trusts have a local situs and have been administered by the Bishop Trust as trustee. The corporation's beneficial interest in the trusts consisted of the right to receive all realized net income, gain and increment on the trust corpus. Upon dissolution and liquidation, the corporation assigned to the Taxpayers upon quarterly distributions made to the Taxpayers by the trustee. The Tax Appeal Court determined the distributions were properly taxable by virtue of HRS Secs. 235-4(e)(2) and 235-4(b). The income has a business situs in Hawaii and the distribution would have been properly taxable to the beneficiary of the trust if he received them directly rather than through the trust.

Photo Management, Inc. *Decided on 5/2/79*

The Taxpayer is engaged in furnishing photographic services at the Honolulu International Airport under an exclusive license awarded by the Department of Transportation. The Taxpayer is an assignee of a partial assignment of concession rights at the airport. By virtue of the exclusive license, the Taxpayer is the only commercial entity allowed to photograph arrivals of incoming tourists. In a typical situation, the travel agency will request a camera or photo shop to take photographs of incoming tourists. The camera shop will contact the Taxpayer and request that the photographs be taken. The Taxpayer will then process the photographs and deliver them to the camera shop. A representative of the camera shop will attend a breakfast orientation or a special orientation session with the tourists where the photographs will be displayed on a display board. The photographs may be purchased by the tourists. The Taxpayer charges the camera shop $1.30 for each photograph. The camera shop charges the tourists $5.00 for each photograph. The travel agency is paid a commission for such photo that is purchased by the tourist. The Taxpayer filed its income tax returns and reported its business activity as the furnishing of photographic services. It also reported its gross receipts under the category of furnishing intermediary services and paid taxes thereon at the one-half percent rate. It either underreported or failed to pay use taxes. The Director of Taxation reclassified the activities as the furnishing of services and assessed additional general excise taxes at the four percent rate. On appeal the Taxpayer alleged it mistakenly reported the gross receipts as intermediary services and contended it should properly be reported as the sale of tangible property at the wholesale level. The Tax Appeal Court agreed with the Taxpayer. Appealed to State Supreme Court.

Island Tobacco Company, Ltd. *Decided on 3/30/79*

The Taxpayer is engaged in the business of wholesaling cigarettes, cigars, tobacco products, and certain items of candy. It sold these products to retail merchants as well as to post exchanges, commissaries and clubs on military installations. The Taxpayer entered into various agreements with its suppliers by which the suppliers paid the Taxpayer certain amounts for promotional and distributive services rendered by the Taxpayer. In addition, the Taxpayer had an agreement involving sales to the miliary whereby the supplier paid to the Taxpayer an amount equivalent to the difference between what the Taxpayer paid its supplier for the purchase of tobacco products and the price the same product has been sold to the military. The agreement was necessitated because, for sales to the military, the Taxpayer had an agreement that there can be no price increase unless the notice of such increase has been posted for a period of thirty days. As a result, should the supplier increase its price to the Taxpayer the amount of such increase cannot be passed on to the military for a period of thirty days resulting in a hardship to the Taxpayer. The "price rebate", consequently, was intended to subsidize the Taxpayer for this thirty-day period. The Director deemed all of these payments to constitute taxable gross receipts to the Taxpayer and assessed additional general excise taxes. The Taxpayer appealed the assessment. The Court determined the "price rebates" for sales to the military constituted cash or purchased discounts exempt under HRS Section 237-3. The promotional allowances, service fees and bonus incentives are deemed to constitute taxable gross receipts.

LEGISLATION

During the 1979 session of the State Legislature, 263 bills relating to taxation were introduced. Of these, 8 were enacted into law. The most significant of these is Act 62, which conforms Hawaii's Income Tax Law to the Internal Revenue Code as of December 31, 1978, with certain exceptions. This Act incorporates most of the changes brought about by the Revenue Act of 1978. The other tax measures passed are as follows:

Act

45 Inheritance and Estate Taxes: Deletes the provision that the insurance commissioner shall determine the value of certain interest for estate tax purposes; and provides that actuarial tables used by the Internal Revenue Service shall be used for determining value at the date of death.

74 General Excise and Use Taxes: Provides for continuation of exemption under general excise and use taxes for those engaged in interstate or foreign commerce.

105 Income Tax and General Excise Tax: Provides technical amendments to Hawaii Revised Statutes.

148 Inheritance and Estate Taxes: Extends the confidentiality provisions to this chapter and provides for penalties for violations.

167 County Budgets; Tax Funds; Deletes prior provisions on the use of moneys in the state highway fund and provides present authorized expenditures from the fund.

218 Establishes a tax review commission to conduct systematic review of State's tax structure.

224 The Campaign Spending Act: provides certain deductions and an income tax check-off for the Hawaii election campaign fund.

INCOME ASSESSMENT AND AUDIT

INDIVIDUAL INCOME TAX

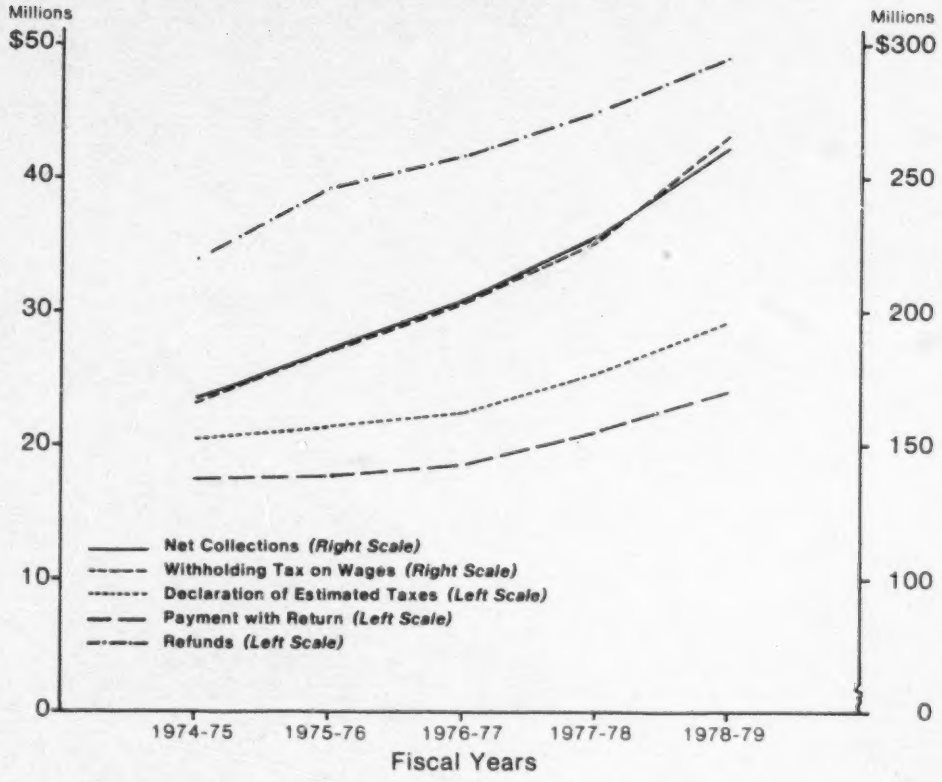
The uptrend in taxes paid by individuals continued at a rapid pace, totaling $264.6 million, net of refunds, for an increase of 16.4% over the $227.2 million paid last year. Substantial gains characterized each component of the individual income tax, ranging from 15.5% for withholding tax on wages, 15.2% for declaration of estimated taxes, to 13.4% for payments made with returns.

The Department was able to accomplish its goal of processing all refund returns within 60 days of receipt of the tax returns. Although the number of refunds processed between January and June 1979 increased by only 1.8% over the same period a year ago, the amount of refunds processed increased by 7.6%. This is reflected in the average refund claimed of $152.78 per return as against $144.55 last year. During this six-month period, 269,412 claimed refunds totaling $41.16 million as compared to 264,570 claimants who received $38.24 million in refunds during the same period a year ago.

TAXES PAID BY INDIVIDUALS
(In Thousands of Dollars)

			Av. Annual Change (Percent)	
	FY 1979	FY 1978	1978-1979	1974-1979
Declaration of Estimated Taxes	$ 29,191	$ 25,336	15.2	8.4
Payment with Return	23,973	21,133	13.4	8.9
Withholding Tax on Wages	260,702	225,793	15.5	12.6
SUB-TOTAL	$313,866	$272,262	15.3	11.8
Refunds	49,309	45,046	9.5	11.9
NET	$264,557	$227,216	16.4	11.8

COMPONENTS OF THE INDIVIDUAL INCOME TAX
Fiscal Years 1974-75 through 1978-79

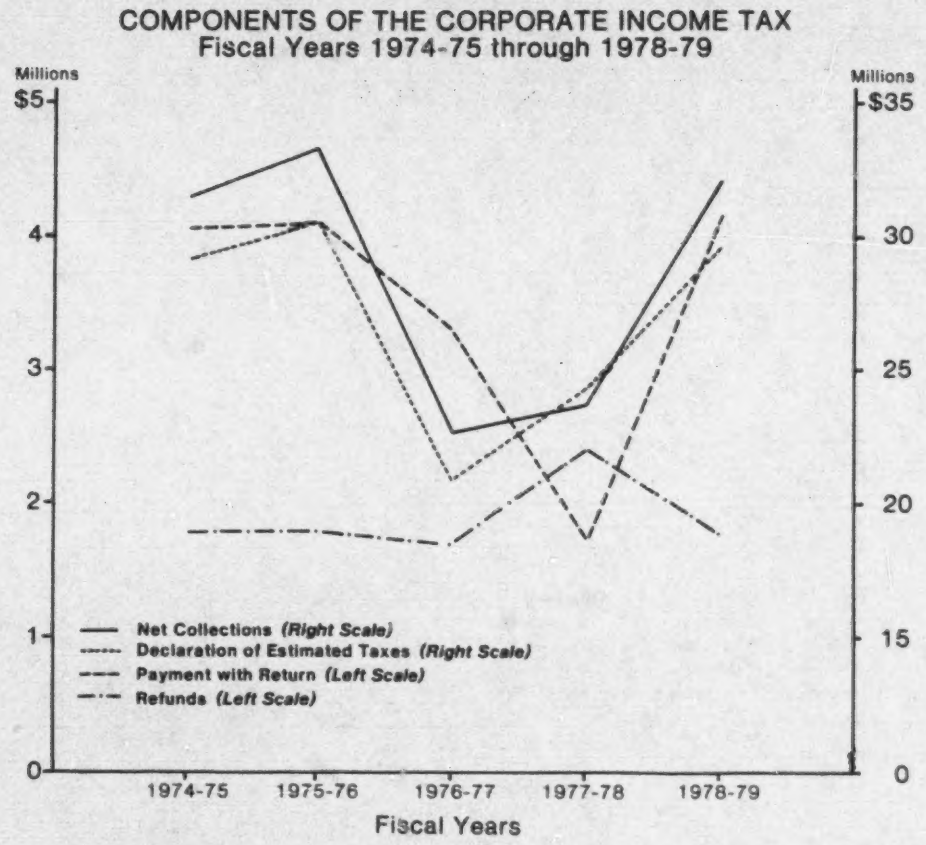


CORPORATE INCOME TAX

Corporations seem to have recovered from the slump of a couple of years ago as evidenced by the dramatic growth in income taxes paid by corporations. Following the moderate growth of 4.8% last year, this year's corporate income tax payments (net of refunds) climbed to $32.3 million, up 35.4% from the $23.8 million paid in the previous year. Taxes paid on declaration of estimated taxes increased by 21.9%; while payments made with returns rose a whopping 137.3%. In contrast, refunds claimed dropped by 26.5%.

TAXES PAID BY CORPORATIONS
(In Thousands of Dollars)

			Av. Annual Change (Percent)	
	FY 1979	FY 1978	1978-1979	1974-1979
Declaration of Estimated Taxes.....	$29,891	$24,515	21.9	19.2
Payment with Return.....	4,174	1,759	137.3	18.2
SUB-TOTAL	$34,065	$26,274	29.7	16.9
Refunds.....	1,792	2,438	(26.5)	14.9
NET	$32,273	$23,836	35.4	17.4



GENERAL EXCISE AND USE TAXES

Inflation played a key role in the 17.2% increase in general excise and use tax collections over the previous year, and this was in spite of the two-month United Airlines machinists' strike. More than half of the general fund tax revenue was derived from this source, accounting for 52.1% of the total. This is a slight increase over last year when general excise and use taxes produced 51.9% of the total general fund tax revenues.

Tabulation of data by type of business activity was resumed after a two-year lapse caused by problems encountered in the conversion from a manual to a computerized system. The breakdown by type of business activity for the years 1979, 1978, and 1974 is shown in the table on the following page. The data for 1978 are estimates.

FUEL TAXES

Although gasoline usage slowed during the second half of the fiscal year, caused in part by rising prices, the total consumption for the fiscal year showed a statewide gain of 3.7%. Maui again led all counties with an increase of 7.3%, with Oahu registering the smallest gain of 2.9%. Hawaii and Kauai increased their consumption by 5.4% and 5.5%, respectively.

GENERAL EXCISE AND USE TAX BASE AND TAXES FOR THE FISCAL YEARS ENDING JUNE 30, 1979, 1978, AND 1974

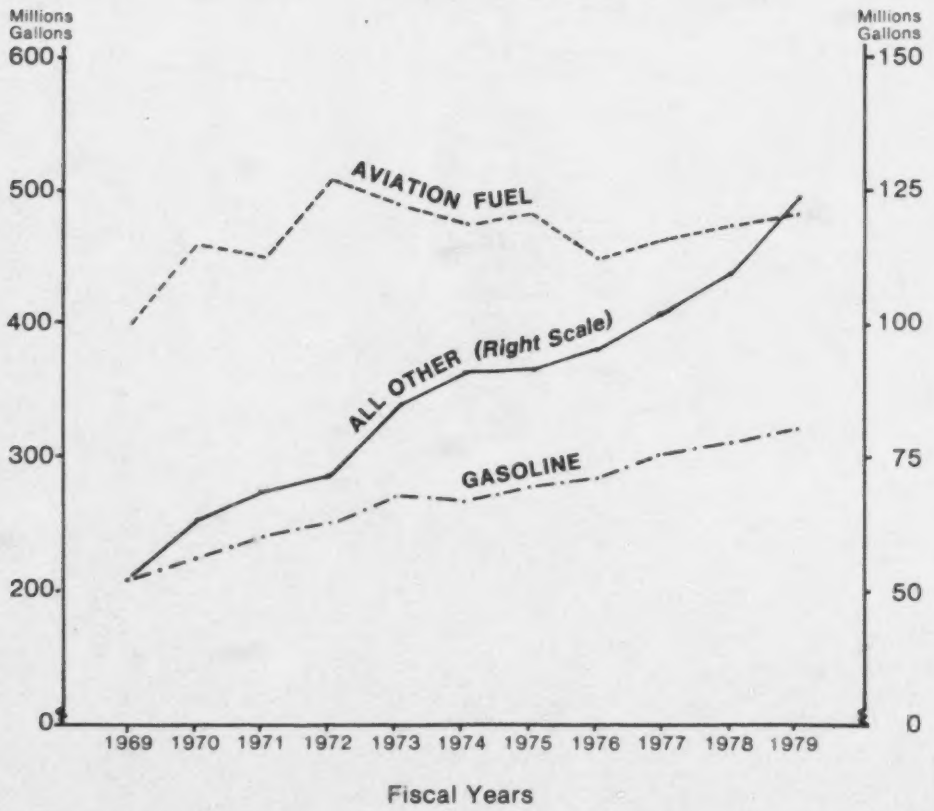
(In Thousands of Dollars)

Source of Revenue	Rate	1979	1978	1974
TAX BASE				
Retailing		$ 5,212,451	$ 4,438,851	$2,713,464
Services		1,328,180	1,143,679	738,444
Contracting		1,157,972	1,008,673	953,343
Hotel Rentals		626,631	503,047	292,711
All Other Rentals		971,821	813,474	534,811
All Others (4%)		813,072	691,367	469,736
SUB-TOTAL		$10,110,127	$ 8,599,091	$5,702,509
Sugar Processing		$ 256,338	$ 283,533	$ 219,707
Pineapple Canning		146,605	120,259	113,303
Producing		160,374	142,460	100,631
Manufacturing		510,737	473,635	354,846
Wholesaling		2,373,028	2,045,324	1,295,101
Use (½%)		1,560,393	1,370,488	840,963
All Others (½%)		54,745	51,804	34,646
Insurance Commissions		101,463	34,459	21,565
SUB-TOTAL		$ 5,163,683	$ 4,521,962	$2,980,762
TOTAL-ALL ACTIVITIES		$15,273,810	$13,121,053	$8,683,271
Adjustments		(1,526)	-	-
GRAND TOTAL		$15,272,284	$13,121,053	$8,683,271
TAX				
Retailing	4%	$ 208,498	$ 177,554	$ 108,508
Services	"	53,127	45,747	29,529
Contracting	"	46,319	40,347	38,137
Hotel Rentals	"	25,065	20,122	11,708
All Other Rentals	"	38,873	32,539	21,392
All Others	"	32,523	27,655	18,781
SUB-TOTAL		$ 404,405	$ 343,964	$ 228,055
Sugar Processing	½%	$ 1,282	$ 1,418	$ 1,099
Pineapple Canning	"	733	601	566
Producing	"	802	712	503
Manufacturing	"	2,554	2,368	1,774
Wholesaling	"	11,865	10,227	6,476
Use	"	7,802	6,852	4,205
All Others	"	273	259	173
Insurance Commissions	[1]	543	689	431
SUB-TOTAL		$ 25,854	$ 23,126	$ 15,227
TOTAL-ALL ACTIVITIES		$ 430,259	$ 367,090	$ 243,282
Adjustments		(61)	-	(44)
Penalty & Interest		303	231	1,071
GRAND TOTAL		$ 403,501	$ 367,321	$ 244,309

[1] *.2% applicable to commissions received by insurance solicitors prior to 1/1/79; .15% applicable to commission received by insurance solicitors, general agents, and subagents effective 1/1/79.*

Erratic growth trends were noted for all other fuel. After posting a hefty increase last year, Maui's consumption of non-highway diesel oil dropped by 15.1%, while all other counties registered substantial gains. On a statewide basis, the net gain was 14.2%. On the other hand, Maui showed the biggest increase in highway use of diesel, up 36.2%. Oahu, Hawaii, and Kauai also showed hefty gains of 9.9%, 17.8%, and 7.6%, respectively. When compared to a year ago, it would seem that off-highway use of LPG in all counties had increased substantially, posting an average gain of 21.1%. However, when adjusted for abnormal revenue flow last year, the actual gain would be approximately 11%; while on-highway use of LPG would show a decline of 3.6% instead of the 3.4% gain.

TRENDS IN FUEL CONSUMPTION
Fiscal Years 1969-1979



In spite of the two-month machinists' strike against United Airlines in April and May, aviation fuel consumption increased by 2.1% over fiscal 1977-78. Interestingly, the increase in fuel consumption came in the second half of the fiscal year, up 5.4% when compared to the same period a year ago, in contrast to a decrease of 1.2% in the first half. An upsurge in visitors from Canada and the Orient during the second half contributed to the increase.

GALLONS OF FUEL CONSUMED
(In Thousands of Gallons)

	FY 1979	FY 1978	Av. Annual Change (Percent) 1978-1979	1974-1979
Gasoline	328,305	316,617	3.7	3.9
Diesel Oil—Non-Highway	103,449	90,624	14.2	6.8
Diesel Oil—Highway	16,086	14,255	12.8	7.0
Liq. Petro. Gas—Off Highway	2,078	1,716	21.1	1.7
Liq. Petro. Gas—Highway	1,176	1,137	3.4	28.4
Small Boats—Gasoline	363	645	(43.7)	10.1
Small Boats—Diesel Oil	847	977	(13.3)	(7.5)
Aviation Fuel	486,105	476,136	2.1	0.4
TOTAL	938,409	902,107	4.0	2.3

Tax revenue accruing to the state highway fund from liquid fuel sold increased by 4.5%. An additional $1.1 million also accrued to the state highway fund from the motor vehicle weight tax and registration fees, which increased by 16.0%. The airport fund was boosted by 2.1%; while the boating special fund, which received ¾ of 1% of all fuel taxes collected, except aviation fuel tax, realized a gain of 5.1%.

ALLOCATION OF FUEL TAXES
(In Thousands of Dollars)

STATE HIGHWAY FUND:	FY 1979	FY 1978	Difference
Gasoline	$27,550	$26,554	$ 996
Diesel Oil—Non-Highway Use	1,035	909	126
Diesel Oil—Highway Use	1,357	1,203	154
Liquid Petroleum Gas—Off Highway Use	21	17	4
Liquid Petroleum Gas—Highway Use	70	68	2
SUB-TOTAL	$30,033	$28,751	$1,282
Motor Vehicle Weight Tax/Reg. Fees	8,002	6,901	1,101
TOTAL	$38,035	$35,652	$2,383
COUNTY HIGHWAY FUNDS:			
City & County of Honolulu	$ 8,797	$ 8,518	$ 279
County of Maui	1,618	1,486	132
County of Hawaii	2,046	1,691	355
County of Kauai	636	595	41
TOTAL	$13,097	$12,290	$ 807
BOATING SPECIAL FUND	$ 326	$ 310	$ 16
STATE AIRPORT FUND:			
Aviation Fuel	$ 4,861	$ 4,761	$ 100

Fuel tax revenue accruing to the county highway funds increased for all counties, with Hawaii showing the biggest gain of 20.9%. This is due in part to the change in the Hawaii County tax rate in October 1977 from 3¢ to 5¢ per gallon which means that for fiscal 1977-78 the new rate was in effect for only part of the year. Looking at the fuel consumption, the gain was only 5.4%. The highway funds for all other counties realized gains of 8.9% for Maui, 6.9% for Kauai, and 3.3% for the City & County of Honolulu.

INHERITANCE AND ESTATE TAXES

The effect of the new provisions of the inheritance tax law which increased the exemptions of beneficiaries—from $20,000 to $100,000 for a spouse; from $5,000 to $50,000 for a direct line beneficiary; and from $500 to $5,000 for all other beneficiaries—effective for estates of persons dying after December 31, 1977, was reflected in the decrease in the number of taxable estates. Of the 8,437 estates settled, 1,429, or 16.9% were taxable; while in fiscal 1977-78, 1,704, or 20.3% of the 8,397 estates settled were taxable. Nevertheless, rising values of estates boosted the amount of taxes paid by each estate, so that inheritance taxes paid increased slightly, from $3.98 million in fiscal 1977-78 to $4.03 million this year, for a gain of 1.1%.

On the other hand, the estate taxes paid increased from an average per estate of $1,095 last year to $2,846 this year. Since the estate tax is a residual tax and picks up the difference, if any, between the maximum credit allowed under the federal estate tax law and the amount of the inheritance tax, the drop in the inheritance tax paid by beneficiaries of each estate could have contributed in part to this hefty increase. However, the fact that the number paying the estate tax increased by only five, from 21 to 26, would seem to indicate that the bulk of the increase is attributable to rising values of estates, especially the value of real estate which has skyrocketed in recent years.

INHERITANCE AND ESTATE TAXES
(In Thousands of Dollars)

	FY 1979	FY 1978	Av. Annual Change (Percent) 1978-1979	1974-1979
Inheritance Tax	$4,027	$3,983	1.1	11.6
Estate Tax	74	23	221.7	34.8
SUB-TOTAL	$4,101	$4,006	2.4	10.4
Penalty & Interest	40	36	11.1	6.6
TOTAL	$4,141	$4,042	2.4	10.2

PUBLIC SERVICE COMPANY TAX

As shown in the tabulation below, taxes paid by public utilities and motor carriers and contract carriers show a growth rate of 8.6% and 5.5%, respectively. However, payments made by the airlines are less than expected because of a disagreement between some of the local airlines and the Department regarding the taxability of certain passenger revenue. As a result, some of the local airlines are not paying the tax. This dispute is pending settlement by the courts.

PUBLIC SERVICE COMPANY TAX
(In Thousands of Dollars)

	FY 1979	FY 1978	Av. Annual Change (Percent) 1978-1979	1974-1979
Public Utilities	$26,228	$24,157	8.6	11.5
MC&CC	7,539	7,147	5.5	23.9
Airlines	103	2,044	(95.0)	(25.0)
SUB-TOTAL	$33,870	$33,348	1.6	10.0
Penalty & Interest	55	53	3.8	18.5
TOTAL	$33,925	$33,401	1.6	10.1

OTHER TAXES

There was a sharp increase of 47.4% in taxes paid by banks and other financial corporations, as collections reached $7.6 million as against $5.2 million in fiscal 1977-78. However, this is due in part to an abnormal revenue flow, whereby payments which should have been processed in June 1978 fell into July because of a delay in mail processing. When adjusted for this, the actual growth approximated 16%.

The conveyance tax, which is imposed, with few exceptions, on all documents transferring ownership or interest in any real property serves as a good indicator of real estate transactions during the year. In fiscal 1978-79, there were 28,586 deeds recorded as compared to 24,902 the previous year for an increase of 14.8%. Thus, the 41.9% increase in conveyance tax collected indicates that there has been no abatement in the rising cost of realty.

All other revenue sources also posted gains for an overall increase of 8.6%, excluding the motor vehicle weight tax and registration fees. Since the motor vehicle weight tax and registration fees did not take effect until January 1978, a comparison of the two fiscal years would not be valid.

MISCELLANEOUS TAXES
(In Thousands of Dollars)

Type of Tax	FY 1979	FY 1978	Av. Annual Change (Percent) 1978-1979	1974-1979
Banks & Other Financial Corp.	$ 7,602	$ 5,159	47.4	23.0
Conveyance	1,858	1,309	41.9	15.5
Empl. Security Contributions	75,458	73,706	2.4	26.0
Insurance Premiums	18,466	15,744	17.3	17.0
Liquor & Permits	20,434	18,044	13.2	12.4
Tobacco & Licenses	11,856	10,976	8.0	7.4
All Other	361	350	3.1	7.2
SUB-TOTAL	$136,035	$125,288	8.6	18.6
Motor Vehicle Weight/Reg. Fees*	8,002	6,901		
TOTAL	$144,037	$132,189		

*Effective January 1, 1978.

COMPLIANCE

Manpower constraints and assignment of auditors to other projects of higher priority contributed to the slight decrease of 1.5% in the number of field audits conducted during the year. However, careful screening of the returns to be audited resulted in an increase of 16.5% in additional assessments. The number of office audits also declined, with 3.8% less returns audited and 5.1% less assessed, due to the extended absence of several employees because of illness and to problems encountered with the automated general excise and use tax system.

	FY 1979	FY 1978	FY 1977
Number of Field Audits	1,157	1,175	1,125
Amount of Assessments (Millions)	$16.2	$13.9	$7.6
Number of Office Audits	359,588	373,756	393,500
Amount of Assessments (Millions)	$12.9	$13.9	$12.6

REAL PROPERTY ASSESSMENT

NET ASSESSED VALUATION

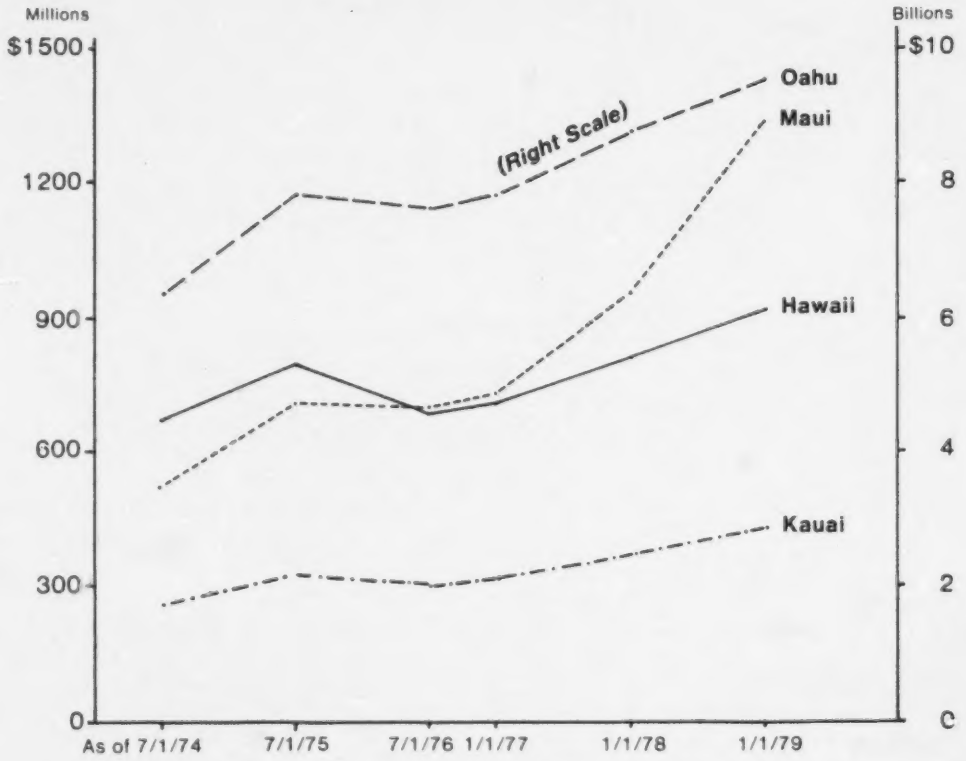
The statewide real property net assessed values as of January 1, 1978, rose 14.0%, with Maui again registering the biggest gain of 31.6%; followed by Kauai with a gain of 17.4%; Hawaii, 15.0%; and the City & County of Honolulu, 11.5%. The data on net assessed values for each county are covered in the Appendix, pages A-7 and A-8. The large increase on Maui prompted the Maui County Council to lower its tax rates for the second year in a row, from $11.96 per $1,000 of assessed value to $9.09. This is reflected in the real property taxes collected, which indicated that Maui's increase over the previous year was only 4.1%; while all other counties showed two-digit increases—Kauai, up 20.5%; Hawaii, 16.7%; and the City & County of Honolulu, 11.9%. The City & County of Honolulu had also reduced its rate, from $15.37 to $15.23 per $1,000 of assessed value; but Hawaii and Kauai chose to retain the same tax rates. The tax rates for each land use class, by county, are shown in the Appendix, page A-9.

REAL PROPERTY TAX COLLECTIONS
(In Thousands of Dollars)

County	FY 1979	FY 1978	Av. Annual Change (Percent) 1978-1979	1974-1979
C & C of Honolulu	$135,048	$120,708	11.9	7.2
Maui	12,056	11,578	4.1	9.5
Hawaii	19,822	16,982	16.7	9.0
Kauai	7,408	6,148	20.5	12.9
STATE	$174,334	$155,416	12.2	7.7

The net assessed valuation as of January 1, 1979, which is the basis for the counties' budget deliberations for the fiscal year 1979-80 indicates a moderation in the rise in values for all counties, except Maui. The rapid escalation appears to be continuing on Maui as evidenced by the 40.4% increase for the next year. The increases for all other counties slowed to 8.0% for Oahu, 10.9% for Hawaii, and 10.5% for Kauai.

TRENDS IN REAL PROPERTY NET ASSESSED VALUES FOR EACH COUNTY, 1974-1979



*Assessment functions changed to calendar year basis.

HOME EXEMPTIONS

On a statewide basis, home exemptions claimed increased by 5.4%, while multiple exemptions claimed rose by 12.7%. Although those age 60-69 are eligible to claim an additional $12,000 and those age 70 and over $18,000, the average claimed by these claimants were $11,212 and $14,098, respectively. This means that for many of these senior citizens their homes are fully exempt, so that they are required to pay only the minimum tax of $7. The value of residential homes after exemption did not increase significantly, rising by only 1.2%. The number claiming home exemptions increased by 3.5% and those claiming the multiple exemptions increased by 5.7%.

HOME EXEMPTIONS
(Dollars in Millions)

FEE	FY 1979	FY 1978	Av. Annual Change (Percent) 1978-1979	1974-1979
Number	92,989	89,980	3.3	3.3
Land & Building Values	$3,962.2	$3,984.3	(0.6)	13.5
Amount of Exemptions	1,469.5	1,394.0	5.4	14.8
NET ASSESSED VALUE	$2,492.7	$2,590.3	(3.8)	14.7
LEASEHOLD				
Number	35,869	34,549	3.8	6.1
Land & Building Values	$1,680.2	$1,515.5	10.9	11.8
Amount of Exemptions	500.2	475.4	5.2	16.6
NET ASSESSED VALUE	$1,180.0	$1,040.1	13.5	11.2

NUMBER OF PARCELS

The number of parcels throughout the State increased from 335,411 in fiscal 1977-78 to 342,284, up 2.0%. The tabulation below shows a comparative breakdown of the number of parcels in each county.

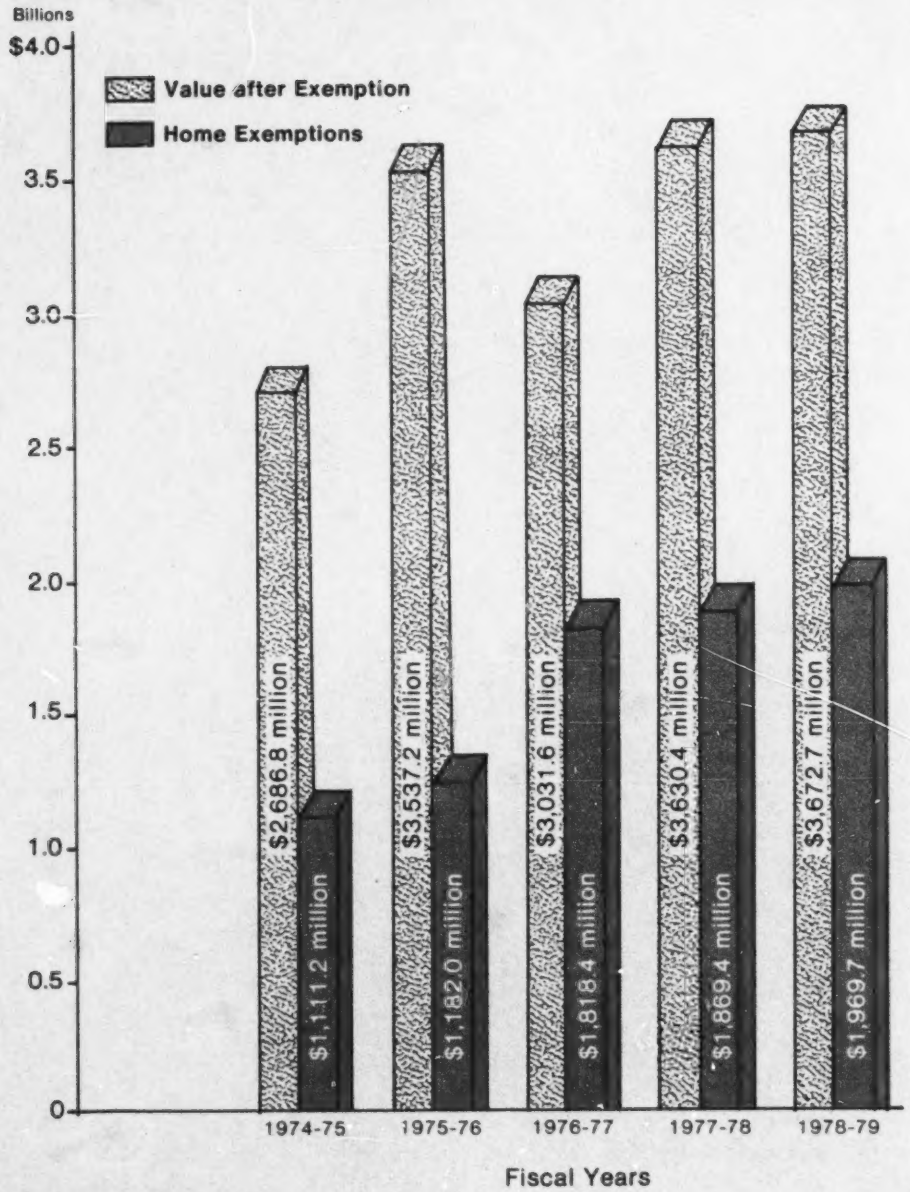
County	FY 1979	FY 1978	% Increase
C & C of Honolulu	174,125	170,554	2.1
County of Maui	36,283	34,869	4.1
County of Hawaii	115,832	114,618	1.1
County of Kauai	16,044	15,370	4.4
STATE	342,284	335,411	2.0

ASSESSMENT-SALES RATIO

In assessing real property, the State has set the assessment level of all taxable real property at 60% of fair market value. The objective of the Real Property Program is to achieve, each year, an average sales to assessment ratio of 54%. The assessment-sales ratio study completed in January 1979, which measures the January 1, 1978 real property assessments, shows that each district improved last year's performance, which averaged 52%, and succeeded in attaining its goal of an assessment-sales ratio of 54%.

CHART 2

VALUES AFTER EXEMPTION OF RESIDENTIAL PROPERTIES AND HOME EXEMPTIONS CLAIMED
Fiscal Years 1974-75 through 1978-79



COLLECTION AND ACCOUNTING OF TAXES

TAX COLLECTIONS

Of the total $1,132.1 million in taxes which accrued to state and county governments, the Department collected $1,103.8 million. Taxes collected by other agencies include $1.8 million in conveyance tax, which was collected by the Department of Land and Natural Resources; $18.5 million in insurance premium tax, collected by the Department of Regulatory Agencies; and $8.0 million in state motor vehicle weight tax, collected by the counties and turned over to the State Director of Finance.

A comparative summary of taxes collected by the Department in each district in fiscal 1979 and 1978 is shown below.

			Av. Annual Change (Percent)	
OAHU	**FY 1979**	**FY 1978**	**1978-1979**	**1974-1979**
Gross Collections*	$999,058	$886,046	12.8	11.2
Less Appeals, Payments under Protest, Refunds, TDI	51,931	50,742	2.3	11.7
Net Collection by Department	$947,127	$835,304	13.4	11.2
MAUI				
Gross Collections*	$ 63,952	$ 53,712	19.1	16.8
Less Appeals, Payments under Protest, Refunds, TDI	3,767	4,021	(6.3)	15.3
Net Collection by Department	$ 60,185	$ 49,691	21.1	16.9
HAWAII				
Gross Collections*	$ 72,998	$ 62,380	17.0	12.1
Less Appeals, Payments under Protest, Refunds, TDI	4,651	4,605	1.0	11.7
Net Collection by Department	$ 68,347	$ 57,775	18.3	12.2
KAUAI				
Gross Collections*	$ 30,306	$ 25,563	18.6	16.0
Less Appeals, Payments under Protest, Refunds, TDI	2,207	2,752	(19.8)	19.9
Net Collection by Department	$ 28,099	$ 22,811	23.2	16.1

**Excludes conveyance, insurance premium, and motor vehicle weight taxes.*

Although each fund's share increased over 1978, the state general fund received a higher percentage of the total $1,132.1 million collected as compared to a year ago. The state general fund's share came to 73.0%, up from the 71.5% received last year; while the counties' share took a slight dip, from 16.9% to 16.5%. The state special funds, which include the highway, airport, boating, and unemployment trust funds,

received only 10.5% in contrast to 11.6% last year. This is a result of the smaller increase in unemployment security contributions.

DISTRIBUTION OF COLLECTIONS

	FY 1979 Amount Collected	% of Total	FY 1978 Amount Collected	% of Total
State General Fund	$ 825,973,587	73.0	$707,398,819	71.5
State Special Funds	118,679,964	10.5	114,429,784	11.6
County Funds	187,430,386	16.5	167,706,597	16.9
Total	$1,132,083,937	100.0	$989,535,200	100.0

DELINQUENT TAXES

The upsurge of 42.2% in the number of new referrals of delinquent accounts, from 22,926 last year to 32,608 can be attributed in part to the new computer billing program which was initiated in February 1979. Whereas, under the former manual system, penalty and interest billings on late payments were done on an intermittent basis (as time permitted), the new computerized system computes and assesses penalty & interest as delinquencies occur. Consequently, an additional workload was created for the collectors to process the many accounts involving just penalty & interest. As P&I accounts are brought up to date, the time spent on these accounts by the collectors is expected to diminish. However, because of the concentration in this area during the last five months of the fiscal year, work in other areas of the enforcement program suffered. This is evidenced by an increase of 31.3% in the delinquencies, from $22.74 million to $29.86 million as of the end of the fiscal year. At the same time, delinquent taxes collected decreased by 4.5%, in spite of the fact that there was an increase of 27.9% in the number of accounts closed. The number of liens filed and levies served also declined. Liens filed totaled 1,190 as against 1,951 in the previous year; while levies served dropped from 1,039 to 558.

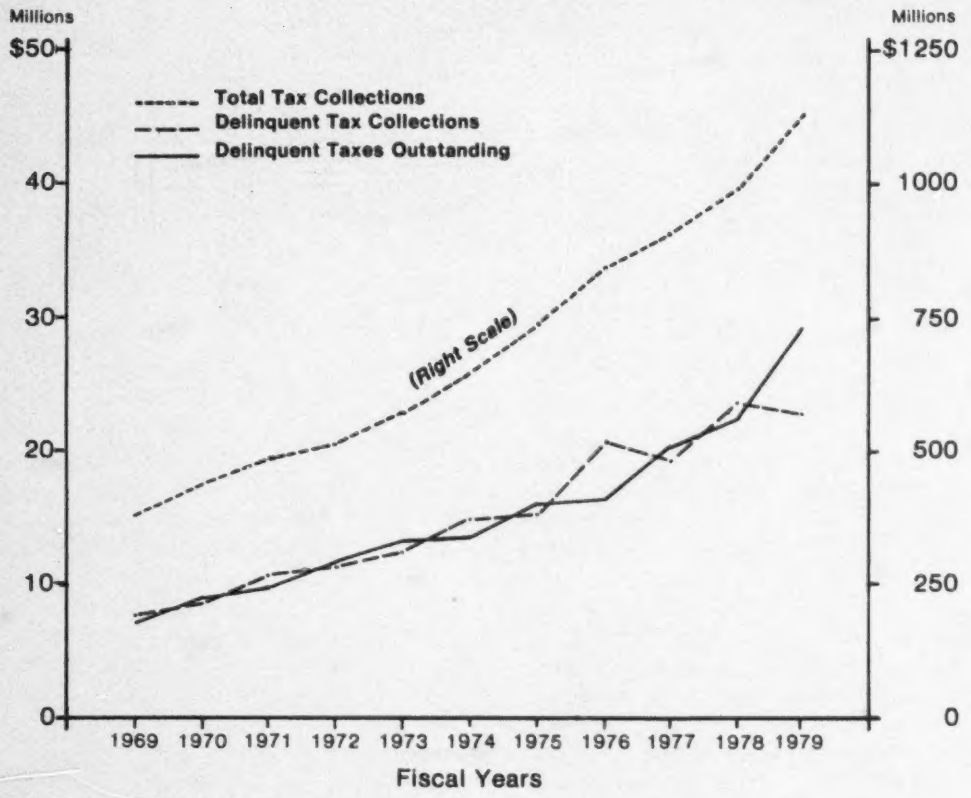
COST OF ADMINISTRATION

The continuing effort made by the Department to reduce departmental expenditures has resulted in a reduction of 2.7% in the amount expended by the Department in fiscal 1978-79, in spite of rising inflation. Expenditures totaled $7.1 million as opposed to $7.3 million last year.

The total taxes collected and administered by the Department amounted to $1.0 billion. This total excludes the conveyance tax and the insurance premium tax, which are collected by other state agencies; the motor vehicle weight tax and registration fees, which are collected by county agencies; and the employment security tax, which is collected by the Department but administered by the Department of Labor and Industrial Relations. This 15.3% increase in taxes collected, coupled with the 2.7% drop in expenditures, contributed to a decrease in the cost per $100 of taxes collected, from $.82 to $.69.

COMPARISON OF DELINQUENT TAX COLLECTIONS AND DELINQUENT TAXES OUTSTANDING WITH TOTAL TAX COLLECTIONS

Fiscal Years 1969-1979



APPENDIX

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TAX COLLECTIONS

Source of Revenue	FISCAL YEARS 1979 Amount Collected	1979 % of Total	1978 Amount Collected	1978 % of Total
Banks - Financial Corporations	$ 7,602,035	.67	$ 5,158,514	.52
Compensation & Div. (Repealed 1/1/58)	40	—	62	—
Conveyance	1,857,695	.16	1,309,386	.13
Employment Security Contributions	75,458,288	6.66	73,706,211	7.45
Fuel	48,316,257	4.27	46,113,065	4.66
Fuel Retail Permits/Penalty & Interest	2,493	—	288	—
General Excise Licenses & Reg. Fees	349,092	.03	339,059	.03
General Excise and Use	430,500,809	38.03	367,320,693	37.12
Income—Corporations	32,273,128	2.85	23,835,903	2.41
Income—Individuals	264,557,180	23.37	227,216,307	22.96
Inheritance and Estate	4,141,033	.37	4,042,143	.41
Insurance Premiums	18,466,002	1.63	15,744,229	1.59
Liquor and Permits	20,433,985	1.80	18,044,057	1.82
Motor Vehicle Weight/Registration Fees	8,002,224	.71	6,900,901[1]	.70
Public Service Companies	33,924,866	3.00	33,401,288	3.38
Real Property	174,333,581	15.40	155,416,204	15.71
Real Property Appeal Deposits	9,528	—	10,590	—
Tobacco and Licenses	11,855,701	1.05	10,976,300	1.11
TOTAL	$1,132,083,937	100.00	$989,535,200	100.00

DISTRIBUTION OF COLLECTIONS

STATE FUNDS:				
State General	$ 825,973,587	72.96	$707,398,819	71.49
State Highway	38,034,708	3.36	35,652,071	3.60
State Airport	4,861,054	.43	4,761,364	.48
Boating Special Fund	325,914	.03	310,138	.03
Unemployment Trust	75,458,288	6.66	73,706,211	7.45
SUB-TOTAL—STATE	$ 944,653,551	83.44	$821,828,603	83.05
COUNTY REVENUES:				
Property	$ 174,333,581[2]	15.40	$155,416,204[3]	15.71
Fuel	13,096,805	1.16	12,290,393	1.24
SUB-TOTAL—COUNTIES	$ 187,430,386	16.56	$167,706,597	16.95
TOTAL	$1,132,083,937	100.00	$989,535,200	100.00

[1] *Effective January 1, 1978.*
[2] *Includes $3,109,286 reimbursement of the State for cost of administration in prior year.*
[3] *Includes $2,770,667 reimbursement to the State for cost of administration in prior year.*

STATE GENERAL FUND

Source of Revenue	FISCAL YEARS 1979 Amount Collected	1979 % of Total	1978 Amount Collected	1978 % of Total
Banks - Financial Corporations	$ 7,602,035	.92	$ 5,158,514	.73
Compensation and Div. (Repealed 1/1/58)	40	—	62	—
Conveyance	1,857,695	.22	1,309,386	.18
Fuel Retail Permits/Penalty & Interest	2,493	—	288	—
General Excise and Use	430,500,809	52.12	367,320,693	51.93
General Excise Licenses & Reg. Fees	349,092	.04	339,059	.05
Income—Corporations	32,273,128	3.91	23,835,903	3.37
Income—Individuals	264,557,180	32.03	227,216,307	32.12
Inheritance and Estate	4,141,033	.50	4,042,143	.57
Insurance Premiums	18,466,002	2.24	15,744,229	2.23
Liquor and Permits	20,433,985	2.47	18,044,057	2.55
Public Service Companies	33,924,866	4.11	33,401,288	4.72
Real Property Appeal Deposits	9,528	—	10,590	—
Tobacco and Licenses	11,855,701	1.44	10,976,300	1.55
TOTAL	$825,973,587	100.00	$707,398,819	100.00

STATE HIGHWAY FUND

Gasoline	$ 27,549,716	72.43	$ 26,554,454	74.48
Diesel Oil—Non-Highway Use	1,035,132	2.72	909,138	2.55
Diesel Oil—Highway Use	1,356,998	3.57	1,202,856	3.37
Liq. Pet. Gas—Off Highway	20,622	.05	17,034	.05
Liq. Pet. Gas—Highway Use	70,016	.19	67,688	.19
Motor Vehicle Weight Tax/Reg. Fees	8,002,224	21.04	6,900,901	19.36
TOTAL	$ 38,034,708	100.00	$ 35,652,071	100.00

STATE AIRPORT FUND

Aviation Fuel	$ 4,861,054	$ 4,761,364

BOATING SPECIAL FUND

Fuel Used in Small Boats	$ 325,914	$ 310,138

UNEMPLOYMENT TRUST FUND

Tax on Payrolls	$ 75,458,288	$ 73,706,211

COUNTY TAX REVENUES COLLECTED BY STATE

Source of Revenue	FISCAL YEARS 1979	1978	Difference	% Change
CITY & COUNTY OF HONOLULU:				
Property	$135,047,817	$120,707,945	$14,339,872	11.9
Fuel	8,797,372	8,518,394	278,978	3.3
Sub-Total	$143,845,189	$129,226,339	$14,618,850	11.3
COUNTY OF MAUI:				
Property	$ 12,055,703	$ 11,577,622	$ 478,081	4.1
Fuel	1,617,721	1,485,658	132,063	8.9
Sub-Total	$ 13,673,424	$ 13,063,280	$ 610,144	4.7
COUNTY OF HAWAII:				
Property	$ 19,821,901	$ 16,982,147	$ 2,839,754	16.7
Fuel	2,045,387	1,691,351	354,036	20.9
Sub-Total	$ 21,867,288	$ 18,673,498	$ 3,193,790	17.1
COUNTY OF KAUAI:				
Property	$ 7,408,160	$ 6,148,490	$ 1,259,670	20.5
Fuel	636,325	594,990	41,335	6.9
Sub-Total	$ 8,044,485	$ 6,743,480	$ 1,301,005	19.3
STATEWIDE:				
Property[1]	$174,333,581	$155,416,204	$18,917,377	12.2
Fuel	13,096,805	12,290,393	806,412	6.6
TOTAL	$187,430,386	$167,706,597	$19,723,789	11.8

FUEL TAX RATES PER GALLON[2]

	State	County	Total
GASOLINE & DIESEL OIL (HWY. USE)			
City & County of Honolulu	8½¢	3½¢	12 ¢
County of Maui	8½¢	5 ¢	13½¢
County of Hawaii	8½¢	5 ¢[3]	13½¢
County of Kauai	8½¢	4 ¢	12½¢
LIQUID PETROLEUM GAS (HWY. USE):			
City & County of Honolulu	6 ¢	2 ¢	8 ¢
County of Maui	6 ¢	3 ¢	9 ¢
County of Hawaii	6 ¢	3 ¢[3]	9 ¢
County of Kauai	6 ¢	3 ¢	9 ¢

[1] *Actual collections before allocation of administrative costs.*
[2] *Gasoline used for agricultural equipment off highways, aviation fuel, and all other fuels used off highways are taxed at one cent per gallon.*
[3] *Effective October, 1977.*

REAL PROPERTY TAX VALUATIONS AND TAX RATES
FISCAL YEAR 1978-1979

(In Thousands of Dollars)

	City & County of Honolulu	County of Maui	County of Hawaii	County of Kauai	All Districts
Assessor's Gross Valuation (as of 1/1/78)[1]					
Land	$ 7,724,059	$ 871,951	$ 885,095	$365,396	$ 9,846,501
Improvements	6,227,264	747,666	664,008	275,666	7,914,604
TOTAL	$13,951,323	$1,619,617	$1,549,103	$641,062	$17,761,105
Total Exemptions	$ 5,156,805	$ 331,221	$ 468,628	$147,110	$ 6,103,764
Fifty Percent of Valuation on Appeal	$ 88,053	$ 22,547	$ 5,790	$ 9,465	$ 125,855
Valuation for Tax Rate Purposes	$ 8,706,464	$1,265,848	$1,074,685	$484,487	$11,531,484
Amounts to be Raised by Taxation	$ 132,599	$ 11,507	$ 19,237	$ 7,025	$ 170,368
Tax Rates Per $1,000 Value[2]	$ 15.23	$ 9.09	$ 17.90	$ 14.50	

REAL PROPERTY TAX VALUATIONS AND TAX RATES
FISCAL YEAR 1977-1978

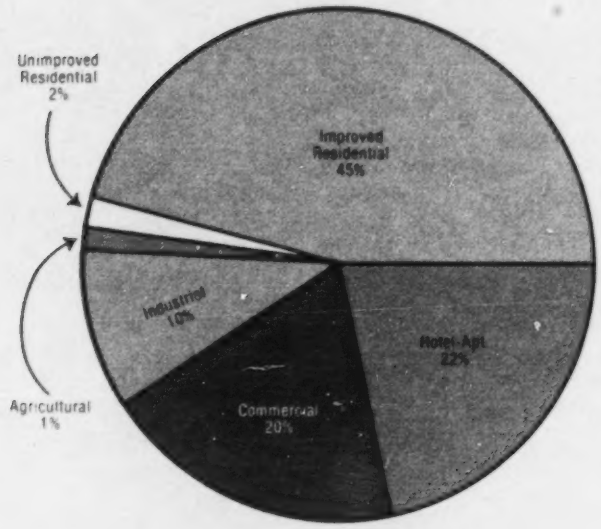
(In Thousands of Dollars)

	City & County of Honolulu	County of Maui	County of Hawaii	County of Kauai	All Districts
Assessor's Gross Valuation (as of 7/1/77)[1]					
Land	$ 7,119,798	$ 640,964	$ 795,778	$330,076	$ 8,886,616
Improvements	5,671,619	600,617	570,654	221,499	7,064,389
TOTAL	$12,791,417	$1,241,581	$1,366,432	$551,575	$15,951,005
Total Exemptions	$ 4,875,950	$ 275,120	$ 428,941	$130,116	$ 5,710,127
Fifty Percent of Valuation on Appeal	$ 109,517	$ 4,776	$ 3,062	$ 8,753	$ 126,108
Valuation for Tax Rate Purposes	$ 7,805,950	$ 961,686	$ 934,429	$412,706	$10,114,771
Amounts to be Raised by Taxation	$ 119,977	$ 11,502	$ 16,726	$ 5,984	$ 154,189
Tax Rates Per $1,000 Value	$ 15.37	$ 11.96	$ 17.90	$ 14.50	

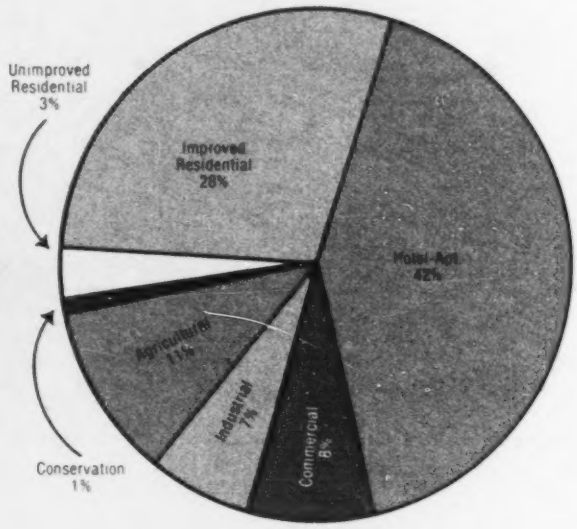
[1] *Represents 60 percent of market value.*
[2] *See page A-9 for detail of rates.*

REAL PROPERTY
NET TAXABLE ASSESSED VALUE BY LAND USE CLASSES

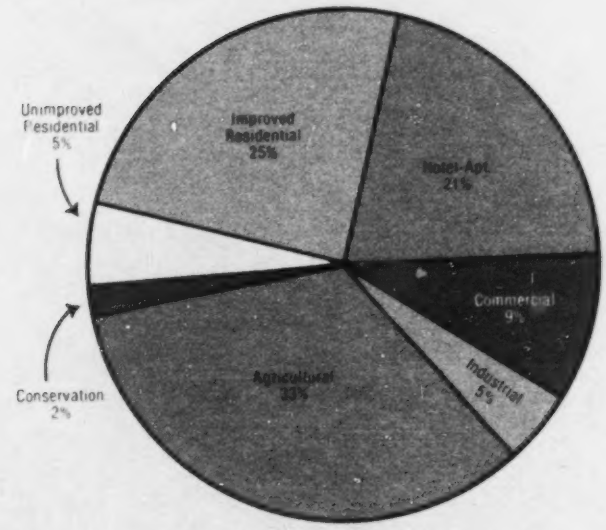
CITY & COUNTY OF HONOLULU
$8,706,464,066



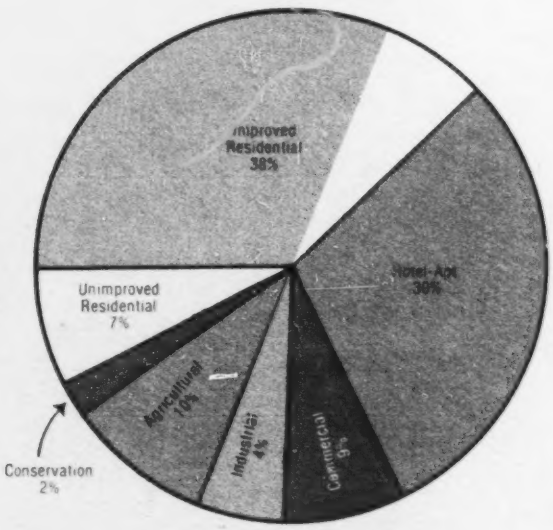
COUNTY OF MAUI
$1,265,848,114



COUNTY OF HAWAII
$1,074,685,144



COUNTY OF KAUAI
$484,486,514



NET TAXABLE ASSESSED VALUE BY LAND USE CLASSES

(In Thousands of Dollars)

OAHU

	Land Use Classes	Land	Building	Total	Land & Bldg. Ratio L	Land & Bldg. Ratio B	% of Total
I.	Improved Residential	$2,867,540	$1,033,850	$3,901,390	74	26	45
II.	Hotel/Apartment	692,172	1,246,053	1,938,224	36	64	22
III.	Commercial	644,007	1,084,544	1,728,551	37	63	20
IV.	Industrial	553,636	291,205	844,841	66	34	10
V.	Agricultural	90,050	28,036	118,086			1
VI.	Conservation	15,196	5,429	20,625			-
VII.	Unimproved Residential	150,223	4,524	154,747			2
	TOTAL	$5,012,824	$3,693,640	$8,706,464			100

MAUI

I.	Improved Residential	$ 249,206	$ 102,057	$ 351,263	71	29	28
II.	Hotel/Apartment	205,290	320,885	526,175	39	61	42
III.	Commercial	59,385	44,597	103,982	57	43	8
IV.	Industrial	43,184	39,691	82,875	52	48	6
V.	Agricultural	107,927	38,492	146,419			12
VI.	Conservation	10,867	956	11,823			1
VII.	Unimproved Residential	43,195	116	43,311			3
	TOTAL	$ 719,054	$ 546,794	$1,265,848			100

NET TAXABLE ASSESSED VALUE BY LAND USE CLASSES

(In Thousands of Dollars)

HAWAII

	Land Use Classes	Land	Building	Total	Land & Bldg. Ratio L	Land & Bldg. Ratio B	% of Total
I.	Improved Residential	$ 186,233	$ 86,526	$ 272,759	68	32	25
II.	Hotel/Apartment	69,571	157,994	227,565	31	69	21
III.	Commercial	41,997	51,275	93,271	45	55	9
IV.	Industrial	21,276	30,496	51,772	41	59	5
V.	Agricultural	305,485	53,286	358,771			33
VI.	Conservation	20,269	2,075	22,345			2
VII.	Unimproved Residential	43,158	5,044	48,202			5
	TOTAL	$ 687,989	$ 386,696	$1,074,685			100

KAUAI

I.	Improved Residential	$ 122,500	$ 59,128	$ 181,627	67	33	37
II.	Hotel/Apartment	59,708	85,514	145,223	41	59	30
III.	Commercial	25,333	20,647	45,980	55	45	9
IV.	Industrial	6,944	10,101	17,045	41	59	4
V.	Agricultural	41,516	9,164	50,680			11
VI.	Conservation	9,711	876	10,587			2
VII.	Unimproved Residential	30,145	3,200	33,345			7
	TOTAL	$ 295,857	$ 188,630	$ 484,487			100

REAL PROPERTY TAX RATES FOR EACH TAXATION DISTRICT BY LAND USE CLASS, FISCAL YEAR 1978-1979

Category	Class		Tax Rate Per $1,000 Net Taxable Building*	Tax Rate Per $1,000 Net Taxable Land
OAHU DISTRICT				
I	1	Improved Residential	$15.23	$15.23
	5	Agricultural	15.23	15.23
	6	Conservation	15.23	15.23
II	2	Hotel/Apartment/Resort	13.84	17.30
	7	Unimproved Residential	13.84	17.30
III	3	Commercial	13.93	17.41
IV	4	Industrial	13.09	16.36
MAUI DISTRICT				
I	1	Improved Residential	$ 9.09	$ 9.09
	5	Agricultural	9.09	9.09
	6	Conservation	9.09	9.09
II	2	Hotel/Apartment/Resort	8.19	10.24
	7	Unimproved Residential	8.19	10.24
III	3	Commercial	7.95	9.94
IV	4	Industrial	8.04	10.05
HAWAII DISTRICT				
I	1	Improved Residential	$17.90	$17.90
	5	Agricultural	17.90	17.90
	6	Conservation	17.90	17.90
II	2	Hotel/Apartment/Resort	16.24	20.30
	7	Unimproved Residential	16.24	20.30
III	3	Commercial	16.09	20.11
IV	4	Industrial	16.24	20.30
KAUAI DISTRICT				
I	1	Improved Residential	$14.50	$14.50
	5	Agricultural	14.50	14.50
	6	Conservation	14.50	14.50
II	2	Hotel/Apartment/Resort	12.88	16.10
	7	Unimproved Residential	12.88	16.10
III	3	Commercial	12.74	15.93
IV	4	Industrial	13.16	16.45

**Building tax rates at 80% of land tax rates for Classes 2, 3, 4, and 7; only one tax rate for Classes 1, 5 and 6.*

DEPARTMENT OF TAXATION

TRAINING PROGRAMS FOR FISCAL YEAR ENDING 6/30/79

	Training Course	No. of Employees	Hours of Training
1.	Clerical Skills Institute	37	296
2.	Defensive Driving	1	8
3.	First Aid Training	33	264
4.	Cardio-Pulmonary Resuscitation	13	52
5.	1978 Hawaii Tax Institute	12	480
6.	IRS-HAPA Practitioners' Tax Institute	10	80
7.	Management of Conflict	6	48
8.	Time Management	2	32
9.	Meeting the Public	4	64
10	Coping With Stress	4	64
11.	Train the Trainer	1	4
12.	On-The-Job Training	3	24
13.	Seminar on Labor Relations for Division Chiefs	1	16
14.	State-County Responsibilities: How Best to Serve the People	2	10
15.	Workers' Compensation Workshop	1	14
16.	Safety Management	1	24
17.	Organizational Effectiveness Seminar	1	48
18.	Effective Letterwriting	4	64
19.	Pre-Retirement Orientation	9	144
20.	Labor Relations for Supervisors	2	32
21.	Tax Collection Seminar	7	98
22.	Leadership Effectiveness	2	32
23.	Understanding & Motivating Employees	3	24
24.	Systematic Assertive Skills for Managers	1	16
25.	Managing Change	4	16
26.	Federal Income Tax Seminar	3	24
27.	Report Writing I	2	32
28.	New Employee Orientation	4	8
29.	Introduction to Statistical Analysis	1	16
30.	Introduction to the State of Hawaii's Executive Budget System	1	16
31.	Basic Extended Mark IV Programming	4	140
32.	Hawaii Land Trust Seminar	4	16
33.	Conference of Civil Service Commissioners & Personnel Directors	1	24
34.	Data Processing Concepts	5	60
35.	1979 IRS Technical Review Institute	16	192
36.	Reporting Writing II	1	16
37.	Supervisory Management Course I	3	60
38.	Writing Position Description	2	16
39.	Selection Interviewer's Workshop	2	16
40.	EEO for Supervisors	1	8
41.	Pre-Retirement Workshop	1	12
42.	Society of Real Estate Appraisers Course 101	9	405
	TOTALS	224	3,015

A-12

OUTLINE OF HAWAII TAX SYSTEM AS OF JULY 1, 1978

Issued by the Department of Taxation

KIND OF TAX & LEGAL REFERENCES (HAWAII REVISED STATUTES)	MEASURE AND RATE OF TAX	REPORTS	TAX PAYABLE
(1) Net Income Chapter 235—Sec. 235-1 to 235-119	The Income Tax Law commencing as of January 1, 1958, adopted with certain exceptions the provisions of the Internal Revenue Code of 1954, with amendments to June 7, 1957, (and subsequent amendments thereof specifically adopted by the Hawaii Legislature) in the determination of gross income, adjusted gross income and taxable income. The law allows per personal exemption for individuals $750 (double exemption for those over 65 years or over, $7000 for a blind, deaf or totally disabled taxpayer, $400 for an estate, $200 for a simple trust and $80 for a complex trust. Tax rates for individuals are: 2.25% on first $500; 3.25% on next $500; 4.5% on next $500; 5% on next $500; 6.5% on next $1,000; 7.5% on next $2,000; 8.5% on next $5,000; 9.5% on next $4,000; 10% on next $6,000; 10.5% on next $10,000; 11% over $30,000. Tax rates for head of household are: 2.25% on first $500; 2.75% on next $500; 3.9% on next $500; 4.1% on next $500; 5.5% on next $1,000; 6.6% on next $2,000; 7.9% on next $5,000; 9.15% on next $10,000; 10.05% on next $10,000; 10.5% on next $10,000; 10.75% on next $20,000; 11% over $60,000. Tax rates for corporations are: 5.85% up to $25,000; 6.435% over $25,000.	Returns due 20th day of 4th month after close of taxable year. Withholding returns due monthly on or before the last day of the succeeding calendar month. When the total tax liability is less than $500 for the calendar year, returns may be filed quarterly on or before the last day of the month after the close of each quarter. An annual employer's return and reconciliation of Hawaii income tax withheld Form HW-3 must be filed together with a duplicate copy of each employee's tax statement Form HW-2 on or before January 31 of each year. Estimates of income of individuals not subject to withholding, April 20th. Estimates of corporations, September 20th.	In general at time of filing returns. Estimates of individuals one-quarter April 20th; June 20th; September 20th; and January 20th. Corporations one-half September 20th and January 20th.
(2) Inheritance and Estate Chapter 236—Sec. 236-1 to 236-44	Tax on shares of net estate having situs in Hawaii. Exemptions (a) Bequests to spouse $20,000; (b) parent, child, grandchild, or adopted child $5,000; (c) bequests to others $500. Tax rates: (a) 2% to 6%; (b) 1⅛% to 7⅛%; (c) 3⅛% to 9%, respectively. Estate tax on corpus of estate having tax situs in Hawaii, to take advantage of the maximum credit for state death taxes under basic federal estate tax. Tax computed by subtracting inheritance tax from the maximum credit for state death taxes allowed.[1]	The executor or administrator of the decedent's estate shall file a return.	Payments within 18 months after death.
(3) General Excise (Gross Income) Chapter 237—Sec. 237-1 to 237-49	This is a business privilege tax measured by gross proceeds of sales or gross income. The tax rate is ½ of 1% on wholesaling and intermediary services, blind vendors, producing, manufacturing, sugar processing and pineapple canning; all other activities (retailing business and professional services, contracting, theatre, amusement, radio, interest, commissions, rentals) are taxed at 4%, except insurance commissions received by general agents, subagents, and solicitors who are taxed at .15%. A license must be secured and renewed annually on a calendar year basis. The cost is $2.50, plus an additional 50¢ for certain retailing activities.	Monthly returns are due on or before the last day of the following month. When the total tax liability is less than $500 for the calendar year, returns may be filed quarterly on or before the last day of the month after the close of each quarter. An annual summary and reconciliation return must be filed on or before three months and twenty days after the end of taxpayer's calendar or fiscal year.	At time of filing returns.
(4) Use Chapter 238—Sec. 238-1 to 238-16	This is an excise tax which applies on the purchase price or value of tangible personal property, imported or purchased from anyone not taxable under the general excise tax, for resale, use or consumption. Rates: ½ of 1% if for resale at retail; 4% if for use or consumption. For exception to certain property used by producers, see Sec. 238-4.	Monthly returns are due on or before the last day of the following month. When the total tax liability is less than $500 for the calendar year, returns may be filed quarterly on or before the last day of the month after the close of each quarter. An annual return is due on or before three months and twenty days after the end of taxpayer's calendar or fiscal year. These returns have been consolidated with the general excise (gross income) tax returns and are filed simultaneously.	At time of filing returns.
(5) Public Service Company Chapter 239—Sec. 239-1 to 239-10	Nature of Tax—(1) Public utility business in lieu of general excise and real property taxes. (a) Measure of assessment—general rule: Gross income from public utility business of public utilities for preceding calendar year. For exception, see Sec. 239-5. (b) Rates: (i) Gross income from passenger fares for transportation between points on a scheduled route by a carrier of passengers, 5.35%. (ii) Sale of its products or services to another public utility which resells such products or services, ½ of 1%. (iii) All other revenues: If ratio of net to gross income is 15% or less, 5.885% for each 1% increase in ratio of net to gross, rate increase .2675% of 1%. (2) Airline, motor carrier, common carrier by water and contract carrier business (other than motor carrier business) in lieu of general excise tax. (a) Measure of assessment—general rule: Gross income from airline, motor carrier, common carrier by water and contract carrier business for preceding calendar year. For exception, see Sec. 239-9. (b) Rate: 4% of gross income, except airlines having special fare schedule for students, 3% of gross income.	Returns filed on or before April 20th.	First installment at time of filing return or on or before April 20. Other installments on 20th of June, September and December.

[1] See Act 67, '77, relating to exemptions and tax rates applicable after December 31, 1977.

KIND OF TAX & LEGAL REFERENCES (HAWAII REVISED STATUTES)	MEASURE AND RATE OF TAX	REPORTS	TAX PAYABLE
(6) Banks, Building and Loan, Industrial Loan Companies and Certain Other Financial Corporations Chapter 241—Sec. 241-1 to 241-7	(1) (a) Assessment Date: January 1. (b) Nature of Tax: a franchise tax on banks, building and loan, industrial loan companies, financial corporations and small business investment company not subject to taxes imposed by Chapters 235 and 237. (For industrial loan company and small business investment companies exemption under Chapter 237 (gross income tax).[2] (2) Measure of Assessment: Net income for the preceding year from all sources as defined by Chapter 235 (Income Tax Law) with modifications. (3) Rate: 11.7% of taxable income.	Returns filed on or before April 20, or 20th of fourth month after close of fiscal year.	First installment at time of filing return or on or before 20th of 4th month. Other installments on 20th of 2nd, 5th and 8th months thereafter.
(7) Fuel Chapter 243—Sec. 243-1 to 243-16	Distributors, as defined, are required to pay: 1¢ per gallon on aviation fuel; an initial 1¢ per gallon on diesel oil, liquefied petroleum gas for operation of an internal combustion engine and from 11⅝¢ to 13⅝¢ per gallon on liquid fuels other than the foregoing; also, pay additional taxes of from 10⅝¢ to 12⅝¢ per gallon on diesel oil and from 7¢ to 8¢ per gallon on liquefied petroleum gas used to operate motor vehicles upon the public highways; however, they are not required to pay these additional taxes if purchasers furnish Exemption Certificates on Form M-38. Refunds of liquid fuel used for agricultural equipment not operated upon the public highways or diesel oil and liquefied petroleum gas used for motor vehicles not operated upon the public highways may be claimed on Form M-36. Distributors are required to register and be licensed. Licenses are valid until revoked.	Returns are due monthly on or before last day of the following month.	At time of filing returns.
(8) Liquor Chapter 244—Sec. 244-1 to 244-17	"Dealers" as defined in the law and certain others who sell or use liquor must pay an excise tax equal to 20% of the wholesale price. A $2.50 liquor tax permit is required and must be renewed before July 1st of each year. See Sec. 244-4 for exemption from tax.	Returns filed on or before the last day of succeeding calendar month.	At time of filing returns.
(9) Tobacco Chapter 245—Sec. 245-1 to 245-15	"Wholesalers" as defined in the law and certain others must pay an excise tax on sale or use of tobacco products, equal to 40% of the wholesale price. A $2.50 tobacco tax license is required and must be renewed before July 1st of each year.	Returns filed on or before the last day of succeeding calendar month.	At time of filing returns.
(10) Real Property Chapter 246—Sec. 246-1 to 246-63 Chapter 248 County Budgets	(1) Date of Lien: July 1. (2) Measure of Assessment: (a) Fair market value at highest and best use assessed to owner or owners; (b) Building replacement less depreciation. (3) Categories: Category I (a) improved residential; (b) agricultural; (c) conservation; Category II (d) unimproved residential; (e) hotel and apartment; Category III (f) commercial; Category IV (g) industrial. (4) Rates: (a) separate land and building rates for each category, except in Category I; (b) each category produces pro rata share of total tax requirement; (c) building tax factor for Category II, III, and IV in 1978 is 80%. (5) Tax rates for each county shall be adopted on or before June 20 preceding the tax year. (6) Minimum real property tax, $7 per year.	The deed shall have been recorded and exemption claims must be filed on or before December 31. Notice of Assessment mailed to taxpayer by March 15 preceding the tax year. Appeals must be filed on or before April 9.	Tax bills mailed by July 20. Payable in two installments—August 20 and February 20.
(11) Conveyance Chapter 247—Sec. 247-1 to 247-13	This tax is imposed on all documents transferring ownership or interest in real property. The rate is 5¢ per $100.00 of the actual and full consideration paid or to be paid. Minimum $1.00 tax for each taxable transaction. (Documents of certain conveyances are exempted.)	A certificate of conveyance must be filed with the document at the Bureau of Conveyance within 90 days after a taxable transaction; a claim for exemption from the conveyance tax must be filed for certain exempt conveyances.	At time of filing the certificate but no later than 90 days after the taxable transaction.
(12) Hawaii Employment Security (Federal) Chapter 383—Sec. 383-1 to 383-174	This is a tax on wages paid, payable by employers of one or more employees with certain exemptions. To protect the solvency of the Unemployment Trust Fund, a uniform tax rate of 3.5% was approved for calendar years 1977 and 1978. The law on unemployment insurance benefit financing, amended to be effective January 1, 1979, retains the reserve ratio method of financing and establishes a two-part schedule consisting of a Basic Contribution Rate Schedule and a Fund Solvency Contribution Rate Schedule. The basic contribution rate will reflect the employer's own experience with unemployment and the fund solvency rate will reflect the trust fund's financial condition and experience of all covered employers. The employer's total contribution rate will not be less than 0% or greater than 4.5%.	Returns filed on or before the last day of the month following the taxable quarter.	At time of filing returns.
(13) Insurance Premiums Chapter 431—Sec. 431-1 to 431-726	Tax on insurance companies (Underwriters) based on premiums received in Hawaii. In lieu of all taxes except property tax and taxes on the purchase, use or ownership of tangible personal property. Tax Rates: Life Insurance Domestic 1.918%; Foreign 3.197%; 4.68% on Surplus Lines; Ocean Marine .8775% of 1%; on other Insurance Domestic 2.9647%; Foreign 4.2824%. This law is administered and the tax collected by the Insurance Commissioner who is required to report to the Director of Taxation all amounts of taxes collected under this chapter.[3]	Statement filed on or before March 15 with the Insurance Commissioner.	Tax payable on or before March 15 to Insurance Commissioner.

[2]The exemption from general excise tax shall apply only to the income from "the engaging in business of an industrial loan company," as defined in section 408.2 or to the income derived from activities engaged in as provided by the Federal Small Business Investment Act of 1958, Public Law 699, as amended, provided further that the exemption shall not apply to consulting and advisory services engaged in under the first sentence of section 308(b) of Public Law 699.

[3]See Act 144, '78, relating to increase in premium rates applicable to all premiums and gross underwriting profit received during calendar year 1979 and thereafter.